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BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D.C.

DEPT. OF TRANSPORTATION  
DOCKETS

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Joint Application of

UNITED AIR LINES, INC.

and

ASIANA AIRLINES, INC.

under 49 U.S.C. §§ 41308 and 41309 for approval of and  
antitrust immunity for an Alliance Expansion Agreement

Docket OST-03- 14202

JOINT APPLICATION OF  
UNITED AIR LINES, INC. AND ASIANA AIRLINES, INC.

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Dated: January 3, 2003

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January 3, 2003

**JOINT APPLICATION OF  
UNITED AIR LINES, INC. AND ASIANA AIRLINES, INC.**

United Air Lines, Inc. (“United”), Asiana Airlines, Inc. (“Asiana”), and their respective affiliates (collectively, the “Joint Applicants”) hereby apply under 49 U.S.C. §§ 41308 and 41309 for approval of, and antitrust immunity for, a bilateral alliance agreement between United and Asiana — referred to herein as the “Alliance Expansion Agreement” (Exhibit JA-1, attached hereto).<sup>1</sup> The Joint Applicants request that the antitrust immunity be made effective immediately and remain in effect for a period of not less than five years.

In support of this request, the Joint Applicants submit the following:

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<sup>1</sup> For purposes of this application, the term “Alliance Expansion Agreement” includes the following: (1) the Alliance Expansion Agreement by and between Asiana Airlines and United Air Lines, Inc. executed on December 23, 2002, and attached as Exhibit JA-1; (2) the Asiana Airlines/United Airlines Marketing Cooperation Agreement executed on August 27, 2002, and attached as Exhibit JA-2; (3) the Asiana Airlines/United Code Share and Regulatory Cooperation Agreement executed on August 27, 2002, attached as Exhibit JA-3, and filed with the Department on September 9, 2002 (Docket OST-02-13320); (4) the International Passenger Prorate Agreement between United and Asiana effective December 1, 2002, and attached as Exhibit JA-4; (5) any implementing agreements in furtherance of the foregoing agreements; and (6) any transaction undertaken pursuant to the foregoing agreements.

## **I. INTRODUCTION**

United and Asiana are partners in a code-share and marketing alliance concluded earlier this year. Through their alliance, United and Asiana intend to expand the geographical scope of their online services, enhance the travel options that they hold out to the public, and develop more competitive global networks. In April 2003, United and Asiana plan to begin code sharing with United placing its code on Asiana's nonstop flights between Seoul (Incheon), on the one hand, and Los Angeles, San Francisco, New York (JFK), and Seattle, on the other;<sup>2</sup> United will also place its code on Asiana domestic Korea flights between Seoul (Incheon) and Busan. Asiana will, in turn, place its code on United's flights operating between Seoul (Incheon) and Honolulu, San Francisco, and Chicago, via Japan, and on United domestic flights operating behind the U.S. gateways of Seattle, Chicago, San Francisco and Los Angeles for passengers traveling between these behind-gateway domestic cities and points in Korea.<sup>3</sup>

United and Asiana envision further code sharing once these initial services are fully implemented. This broad code sharing, made possible by the open skies agreement between the U.S. and the Republic of Korea,<sup>4</sup> will enable United and Asiana to extend the reach of their global networks to passengers in behind- and beyond-gateway city pairs, many of which are underserved today. United will gain improved access to a number of

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<sup>2</sup> United will also place its code on Asiana's flights between Seoul (Incheon) and Osaka for connecting traffic to and from the U.S.

<sup>3</sup> See Exhibit JA-6 for a list of the city pairs in which the carriers intend to code share as of April 2003.

<sup>4</sup> Air Transport Agreement between the United States of America and the Republic of Korea, signed and effective June 9, 1998.

U.S.-Korea city pairs and increased traffic support for its network of U.S.-Asia services, while Asiana will significantly expand its access to the United States.

To maximize the efficiencies and competitiveness of their joint operations, United and Asiana wish to expand and deepen their alliance so they can operate on a more integrated and coordinated basis. By combining the activities contemplated under the Alliance Expansion Agreement with the joint activities outlined in their Code Share Agreement, United and Asiana will be able to increase the size and reach of their integrated global network by 7920 city pairs to a total of 20,283 city pairs, benefiting consumers worldwide. These consumer benefits support approval of, and antitrust immunity for, the Alliance Expansion Agreement. Approval and a grant of immunity are also fully consistent with the Transportation Code and Department precedent in other alliance cases.

The integrated and coordinated operations, planning, marketing, sales, purchasing, and support services that are anticipated under the Alliance Expansion Agreement will permit the Joint Applicants to develop a more fully integrated network of seamless transportation services and will yield substantial economies. The Joint Applicants' greater efficiency will translate directly into more competitive fare offerings and innovative service options, thereby enhancing customer convenience and satisfaction. Moreover, an expanded alliance will better position the Joint Applicants to compete with their principal transpacific competitors and their respective alliances, including the



immunized alliances between Delta and Korean Air Lines (“KAL”)<sup>5</sup> and between Northwest and Malaysian Airlines.

In sum, a grant of antitrust immunity will enable the Joint Applicants to generate substantially greater benefits for consumers through increased commercial cooperation over their route networks than they would be able to achieve without a grant of immunity.

## **II. BACKGROUND**

### **A. THE JOINT APPLICANTS**

1. **United.** United is a U.S.-certificated air carrier holding authority to operate domestic and international scheduled air transportation of persons, property, and mail.<sup>6</sup> Its relevant authorities include certificates of public convenience and necessity for Routes 57 and 130,<sup>7</sup> which authorize United, among other services, to operate between points in the U.S. and points in Korea, and to integrate service to Korea with service to third countries intermediate to and beyond points in Korea.<sup>8</sup>

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<sup>5</sup> As reported in Air Transport World, KAL Chairman and Co-CEO Yang Ho Cho “explain[ed] that SkyTeam is the only global airline alliance with both transpacific and transatlantic immunity, giving the group greater flexibility and travel options and more competitive fares on international flights.” Geoffrey Thomas, The yin and yang of Korean Air, Air Transport World, October 2002 at 27.

<sup>6</sup> On December 9, 2002, United filed for protection under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of Illinois, Eastern Division, in Chicago. While United’s reorganization efforts are ongoing, it remains fully committed to strengthening and extending the reach of its global route network, of which the proposed immunized alliance with Asiana is an integral part. United does not anticipate that its reorganization will have any direct bearing on the activities proposed and anticipated under the Alliance Expansion Agreement.

<sup>7</sup> Order 83-3-77 (Jan. 12, 1983); Order 92-3-38 (Feb. 18, 1992); Order 97-10-8 (Sept. 5, 1997).

<sup>8</sup> Docket OST-97-2126.

2. **Asiana.** Asiana is a flag carrier of the Republic of Korea, a country with which the U.S. shares an open skies air services agreement.<sup>9</sup> From its primary hub in Seoul, Asiana operates international and domestic passenger and cargo services throughout Asia, and to points in Europe and the United States. Asiana holds a foreign air carrier permit authorizing it to engage in scheduled foreign air transportation of persons, property, and mail from points behind Korea, via Korea and intermediate points, to a point or points in the U.S. and beyond, and in charter foreign air transportation, subject to the U.S.-Korea open skies agreement and the Department's regulations.<sup>10</sup>

#### **B. CURRENT OPERATIONS**

United does not currently operate nonstop service to or from any point in Korea and the United States.<sup>11</sup> United does, however, offer online single-connection service to Seoul, Korea via Japan from the U.S. gateways of Honolulu, Seattle, San Francisco, Los Angeles, Chicago and New York. With the increased traffic support generated by the proposed alliance, however, United may in the future introduce nonstop service between a point in the United States and Seoul, Korea. Asiana currently operates nonstop flights between Seoul (Incheon) and Los Angeles, San Francisco, New York (JFK), and Seattle.

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<sup>9</sup> See, *supra*, footnote 4.

<sup>10</sup> Order 2000-11-10 (Sept. 7, 2000).

<sup>11</sup> United has, in the past, operated nonstop service between San Francisco and Seoul, but ceased operating the service as part of the capacity reductions prompted by the events of September 11th.

The Department recently granted United a statement of authorization permitting it to display Asiana's "OZ" designator code on flights United operates (1) between any point in the U.S. and any point in Korea (either nonstop or via third country points); (2) between any points in the U.S. in conjunction with services held out by Asiana between Korea and the U.S. (either nonstop or via third country points); and (3) between any point in the U.S. or Korea and any point in any third country.<sup>12</sup> The parties anticipate that Asiana will begin code sharing on United's domestic services in April 2003.

The Department also granted Asiana a statement of authorization permitting it to display United's "UA" designator code on flights operated by Asiana (1) between any point in Korea and any point in the U.S. (either nonstop or via third country points); (2) between any points in Korea in conjunction with services held out by United between the U.S. and Korea (either nonstop or via third country points); and (3) between any point in Korea or the U.S. and any point in any third country.<sup>13</sup> The parties anticipate that United will begin code sharing on Asiana's nonstop services between the U.S. and Korea in April 2003.

### **C. THE ALLIANCE EXPANSION AGREEMENT**

United and Asiana have signed an Alliance Expansion Agreement, dated December 23, 2002, aimed at integrating their independent service offerings to improve the efficiency of those services and to create an integrated global air transport network.

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<sup>12</sup> Department Action on Application in Docket OST-02-13320, dated Dec. 19, 2002.

<sup>13</sup> Id.

(Exhibit JA-1, Article 2.1.) By means of the Alliance Expansion Agreement, United and Asiana intend to expand their cooperative activities in each of the following principal areas:

1. **Route and schedule coordination.** United and Asiana will coordinate their route and schedule planning to the maximum feasible extent for the purpose of (a) offering the maximum number of traveling and shipping options of optimal quality and efficiency to the public; (b) allocating resources, such as fleets, airport slots, and gates, most efficiently; and (c) enhancing profitability through coordinated route, schedule, and operations planning. (Exhibit JA-1, Article 4.1.)

2. **Marketing, advertising, and distribution.** United and Asiana intend to establish closer global cooperation and greater integration of their marketing, advertising, and distribution networks, programs, and systems, including (a) joint marketing focused on specific customer groups and emphasizing the geographic scope and breadth of United and Asiana services; (b) coordination of travel agent commission policies, including unified commissions schedules, common override agreements, coordinated tour and vacation programs, and standardized contracts; and (c) coordinated sales strategies. (Exhibit JA-1, Article 4.2.)

3. **Co-branding and joint product development.** United and Asiana will seek to co-brand existing products, possibly through the use of a joint logo and/or joint corporate markings. They also plan to consider developing new co-branded products concerning, for example, interior design, cabin layout, in-flight entertainment

and amenities, and passenger ground services. In a similar vein, United and Asiana will endeavor to share existing and future product and market research each carrier conducts and to undertake jointly future product and market research. (Exhibit JA-1, Article 4.3.)

4. **Code sharing.** Subject to applicable treaties, laws, and regulations, United and Asiana will code share on all nonstop scheduled passenger services either is operating between Korea and the United States, and on behind- and beyond-gateway services in selected city pairs (Exhibit JA-1, Article 4.4.)

5. **Pricing, inventory, and yield management coordination pricing.** United and Asiana will coordinate pricing, inventory, and yield management with respect to all services included in their networks, including the joint development of corporate fare programs, net fares, retail and promotional fares, bids for group and government business, uniform auxiliary service charges, collection policies, and revenue and inventory management procedures. (Exhibit JA-1, Article 4.5.)

6. **Revenue sharing.** United and Asiana intend to share net revenues (less certain operating costs) for scheduled passenger air transportation on routes to be later identified. (Exhibit JA-1, Article 4.6.)

7. **Joint procurement.** United and Asiana will seek joint procurement opportunities with the goal of reducing costs by (a) obtaining lower prices for necessary goods and services through volume purchases, establishing common specifications, and improving access to world pricing data; (b) eliminating redundant purchasing activities; and (c) creating joint procurement groups and/or a joint purchasing

group. Goods and services that may be subject to joint procurement include ground handling, field and station supplies, catering, crew uniforms, information technology, aircraft, equipment, fuel, and maintenance. (Exhibit JA-1, Article 4.7.)

8. **Support services.** United and Asiana plan to extend their cooperative efforts with respect to ground and in-flight passenger and ramp services at all airports they serve in common. In third countries, they will determine the most cost-effective means of meeting their combined needs. United and Asiana will also look to implement joint crew and personnel training and to explore joint purchasing opportunities for catering operations and related services. (Exhibit JA-1, Article 4.8.)

9. **Cargo services.** United and Asiana contemplate integrating their cargo services to the maximum extent feasible by, for example, developing express cargo products, jointly using cargo facilities, coordinating trucking, and harmonizing cargo standards. (Exhibit JA-1, Article 4.9.)

10. **Information systems.** United and Asiana intend to coordinate their information systems, including inventory, yield management, reservations, ticketing, distribution, and other operational systems with the goal of integrating to the fullest extent possible all of their information technology. They also plan to develop jointly new technologies, such as electronic ticketing, on-line distribution networks, flight planning, accounting, maintenance, and others. (Exhibit JA-1, Article 4.10.)

11. **Frequent flyer programs.** United and Asiana plan to consider ways in which they can further coordinate their frequent flyer programs. (Exhibit JA-1, Article 4.11.)

12. **Financial reporting.** To facilitate revenue sharing and promote easier coordination of yield management, United and Asiana will consider harmonizing their financial reporting practices, including revenue and cost accounting practices. (Exhibit JA-1, Article 4.12.)

13. **Harmonization of standards/quality assurance.** United and Asiana plan to harmonize their product and service standards and in-flight amenities. (Exhibit JA-1, Article 4.13.)

14. **Technical services/maintenance.** United and Asiana will explore the possibility of each providing the other aircraft and ground equipment, as well as, technical and maintenance services at appropriate locations. (Exhibit JA-1, Article 4.14.)

15. **Facilities.** United and Asiana will seek to share facilities and services at commonly served airports, to the extent feasible. (Exhibit JA-1, Article 4.15.)

United and Asiana intend to implement their Alliance Expansion Agreement only upon receipt of all necessary government approvals.

**III. THE ALLIANCE EXPANSION AGREEMENT SHOULD BE APPROVED UNDER 49 U.S.C. § 41309 AND ANTITRUST IMMUNITY SHOULD BE GRANTED UNDER 49 U.S.C. § 41308.**

**A. EXTENDING ANTITRUST IMMUNITY FOR THE ALLIANCE AGREEMENT IS CONSISTENT WITH U.S. COMPETITION AND AVIATION POLICIES AND WILL PROVIDE CONSUMERS WITH IMPORTANT BENEFITS THAT WOULD NOT OTHERWISE BE OBTAINABLE.**

A grant of antitrust immunity to the United/Asiana alliance is fully consistent with U.S. competition and international aviation policies, which encourage the development of global arrangements between U.S. and foreign carriers in order to facilitate the expansion of airline networks and increase carrier efficiency, thereby benefiting consumers and enhancing competition.<sup>14</sup> In granting approval for the alliance agreements among Delta, KAL, Air France, Alitalia and Czech (hereinafter referred to as the “Delta/KAL alliance”), the Department offered the following remarks on the benefits of multinational global alliances:

We have previously determined that an important pro-competitive effect of global alliances is particularly evident in the case of the behind- and beyond-markets where integrated alliances with coordinated connections, marketing, and services can offer competition well beyond mere interlining. Integrated alliances can offer a multitude of new on-line services, on a global basis.<sup>15</sup>

The Department further explained, “Our recent evaluation of international alliances shows that they stimulate traffic in these connecting markets and thereby increase

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<sup>14</sup> See Statement of United States International Air Transportation Policy, 60 Fed. Reg. 21841 (May 3, 1995).

<sup>15</sup> Delta/KAL Order 2002-6-18 at 7 (Delta/KAL) (footnote omitted).



competition and service options in the overall international market and increase overall opportunities for the traveling public and the aviation industry.”<sup>16</sup>

A 1994 study on international code sharing commissioned by the Department explained that carriers in an immunized alliance can “discuss and jointly decide on fare levels and the capacity deployed . . . . The result is that both airlines can aggressively market service in every city-pair market they serve . . . .”<sup>17</sup> The study further noted that antitrust immunity “allows alliance partners to share revenue equally, assuring that both carriers can capture the benefits of the alliance.”<sup>18</sup>

The fact that alliances lower fares is further demonstrated in an independent empirical analysis conducted by economist Jan K. Brueckner of the University of Illinois.<sup>19</sup> The Brueckner 2000 econometric study, based on DOT airline fare data, found that international alliance carriers charge fares that are approximately 27% below those charged by non-allied carriers on interline (connecting) routes. A similar prior study,

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<sup>16</sup> Id.

<sup>17</sup> A Study of International Airline Code Sharing, Gellman Research Associates, Inc., (Dec. 1994), at 9.

<sup>18</sup> Id.

<sup>19</sup> Jan K. Brueckner, The Benefits of Codesharing and Antitrust Immunity for International Passengers, with an Application to the Star Alliance, University of Illinois at Urbana-Champaign (June 2000), summarizing technical findings in Jan K. Brueckner, International Airfares in the Age of Alliances: The Effects of Codesharing and Antitrust Immunity, University of Illinois at Urbana-Champaign (June 2000) (“Brueckner 2000”). A copy of the non-technical summary of the Brueckner 2000 study was attached as Exhibit JA-8 to the August 18, 2000 joint application of United, Austrian Group, Lufthansa and SAS for antitrust immunity (Docket OST-00-7828).

meanwhile, did “not show clear evidence of *any* losses to gateway-to-gateway passengers from overlapping alliance service.”<sup>20</sup>

Similarly, successive Department reports on international airline competition have documented significant fare reductions in gateway-to-gateway city pairs where immunized alliances were operating transatlantic service.<sup>21</sup> The Department has concluded that “broad-based strategic alliances . . . are the principal driving force behind transatlantic price reductions and traffic gains.”<sup>22</sup>

The United/Asiana alliance will bring these services and fare improvements to the Asia-Pacific region and the many passengers on Asiana’s network who might otherwise be denied the benefits of a global alliance. The alliance will also enable United and Asiana to achieve additional operating efficiencies that will translate directly into greater value for passengers and shippers, and generate broad economic benefits for communities throughout the carriers’ respective route networks. None of these benefits could be fully obtained without the requested grant of immunity.

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<sup>20</sup> Jan K. Brueckner & W. Tom Whalen, Consumer Welfare Gains from United’s Alliances with Lufthansa and SAS, University of Illinois at Urbana-Champaign (Dec. 1998), at 6 (emphasis in original). (The Brueckner 2000 study did not revisit the issue of fares in overlapping gateway-to-gateway markets.)

<sup>21</sup> See International Aviation Developments: Global Deregulation Takes Off (First Report), U.S. Department of Transportation, Office of the Secretary (Dec. 1999) (“DOT First Report”), at 14-15; International Aviation Developments: Transatlantic Deregulation, The Alliance Network Effect (Second Report), U.S. Department of Transportation, Office of the Secretary (Oct. 2000) (“DOT Second Report”), at 2-3, 5.

<sup>22</sup> DOT Second Report, at 5. See also Remarks of Susan McDermott, Deputy Assistant Secretary For Aviation and International Affairs, Office of the Secretary, U.S. Department of Transportation, to the International Air Cargo Association Conference, Washington, D.C., Sept. 29, 2000 (“multinational airline alliances have [s]timulated demand, [l]ed to pro competitive changes in industry structure, [and p]rovided consumers the benefits of improved services and substantially lower prices”).

**B. A GRANT OF ANTITRUST IMMUNITY WILL ADVANCE U.S. FOREIGN POLICY OBJECTIVES.**

The past decade has witnessed a major expansion in airline services to and from the United States. Much of this growth can be directly attributed to the U.S. government's ongoing efforts to achieve liberalized aviation agreements with key trading partners around the world.<sup>23</sup> These efforts go hand-in-hand with the Department's reliance on antitrust-immunized alliances to promote the expansion of carrier networks and network-to-network competition, particularly in behind- and beyond-gateway markets. In its December 1999 report on transatlantic alliances, the Department stated, "The overwhelming balance of evidence demonstrates that international deregulation resulting from open skies agreements has greatly expanded the well being of consumers . . . [and] that broad-based immunized alliances have been an important component of open skies related developments."<sup>24</sup>

In granting antitrust immunity to the Delta/KAL alliance, the Department underscored the value of the U.S.-Republic of Korea open skies agreement:

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<sup>23</sup> Secretary Mineta has made clear that the Bush Administration is committed to further aviation liberalization. See Remarks (as prepared for delivery by) U.S. Secretary of Transportation Norman Y. Mineta to Global Air & Space 2001 International Business Forum, Washington, D.C., May 8, 2001 ("We must continue moving the liberalization process forward. Our open-skies initiative has demonstrated the importance of this for airlines, consumers, general economic development, and for fostering the process of globalization. With 53 Open Skies agreements, we have a firm foundation on which to build. I am committed to pursuing all reasonable options for moving international aviation liberalization forward.").

<sup>24</sup> DOT First Report, at 6. In its October 2000 follow-up report, the Department went even further, concluding that alliances in general, and antitrust-immunized alliances in particular, have been at the vanguard of providing lower fares to more passengers. See DOT Second Report, at 5. The Department stated that "[a]lliances are providing improved service to more passengers in more markets. . . . [W]e expect greater consumer benefits as alliances continue to evolve and expand." Id. at 5-6.

[T]he agreement . . . has eliminated barriers to new entry, expansion and competition that were earlier created by restrictive government regulation. Such an agreement maximizes competitive opportunities, including the flexibility for all U.S. and affected foreign airlines to operate their own direct services, or joint services with another airline. By so doing, an open-skies agreement also recognizes the value of airline networks and provides the opportunity for airlines to offer the services covered by the liberalized regime either individually or as partners in an alliance.<sup>25</sup>

With this foundation, a fully integrated United/Asiana alliance can generate the public benefits envisioned by the Department in promoting open skies agreements and fulfill the potential these liberalized agreements provide.

The Department's policy encouraging the development of integrated global alliances, which are the primary means for carriers to realize fully the potential benefits available under open skies agreements, provides a strong incentive for nations to liberalize their air service relationships with the United States. Due to the nationality limitations in virtually all bilateral air service agreements and limitations on foreign ownership and control of airlines in many of the world's industrial countries, antitrust immunity has become an essential tool in facilitating inter-carrier arrangements that increase carriers' efficiency and competitiveness in the developing global marketplace. This promotes the growth of network-to-network competition and helps airlines respond better to consumers' increasing need for a truly global air transport product.

The Department has already approved and immunized over a dozen alliances between U.S. and foreign air carriers, including the Delta/KAL and Northwest/Malaysian

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<sup>25</sup> Order 2002-6-18 at 6-7 (Delta/KAL).

alliances currently operating in the Asia-Pacific Region. In each case, the Department has found that, with a grant of immunity, these alliances would provide important new price, service and product options in the global marketplace.<sup>26</sup>

A key element of aviation liberalization is the ability afforded airlines to innovate and to develop creative initiatives for serving new markets. Immunized airline relationships, such as the United/Asiana alliance proposed here, are at the forefront in transforming the structure of the airline industry into a truly global network industry. Through continued promotion and facilitation of these arrangements, the Department will further its international aviation policy objectives, leading to greater liberalization, competition and global connectivity, all to the benefit of consumers.

**C. GRANTING ANTITRUST IMMUNITY FOR THE ALLIANCE AGREEMENT IS CONSISTENT WITH THE TERMS OF THE TRANSPORTATION CODE.**

Under the Transportation Code, the Department has the authority to grant antitrust immunity to an inter-carrier agreement if it finds that such a grant would serve the public interest.<sup>27</sup> In past proceedings, the Department has granted antitrust immunity to inter-carrier agreements upon findings that (i) the agreement would not substantially reduce or eliminate competition; (ii) the parties would not proceed with the transaction without antitrust immunity; and (iii) antitrust immunity was required in the public interest. For example, in granting antitrust immunity to the Delta/KAL alliance, the Department

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<sup>26</sup> See Order 2002-6-18 at 7 (Delta/KAL); Order 2000-10-12 at 6-7 (Northwest/Malaysian).

<sup>27</sup> See 49 U.S.C. §§ 41308; 41309(b) (The Department “shall approve an agreement . . . when the Secretary finds it is not adverse to the public interest and is not in violation of this part”).

stated: “It is not [the Department’s] policy to confer antitrust immunity simply on the grounds that an agreement does not violate the antitrust laws. However, [the Department is] willing to grant immunity if the parties to such an agreement would not otherwise go forward, and if [the Department] find[s] that the public interest requires the grant of antitrust immunity.”<sup>28</sup>

A grant of immunity for the United/Asiana Alliance Expansion Agreement is supported by compelling public interest imperatives. Among other things, it will enhance competition by positioning United/Asiana to better compete with the immunized Delta/KAL and Northwest/Malaysian alliances, and other carrier code shares operating in the Asia-Pacific region. The traveling and shipping public will reap the benefits that closer cooperation and seamless service between United and Asiana can generate. Moreover, a grant of immunity for the Alliance Expansion Agreement would serve the public interest because it will help advance U.S. aviation and foreign policy objectives.

**1. Implementation of the Alliance Expansion Agreement Will Not Substantially Reduce or Eliminate Competition.**

In determining whether operations under an alliance agreement would violate the antitrust laws, the Department applies “the Clayton Act test used in examining whether mergers will substantially reduce competition in any relevant market.”<sup>29</sup> Under this test, the Department considers whether the proposed alliance will eliminate “actual or

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<sup>28</sup> See Order 2002-6-18 at 11 (Delta/KAL).

<sup>29</sup> Id. at 8.

potential competition . . . so that [the parties to the alliance] would be able to effect supra-competitive pricing or reduce service below competitive levels.”<sup>30</sup>

To determine the competitive impact of a proposed alliance, the Department has, in recent cases, examined whether the proposed alliance would significantly increase market concentration in a number of relevant markets, including the global market, U.S.-regional markets, U.S.-country pair markets, and individual city pairs where alliance partners operate overlapping nonstop service.<sup>31</sup> The proposed United/Asiana alliance will not substantially reduce or eliminate competition in any of these markets.

**a. The Global Market**

Extending antitrust immunity to the United/Asiana Alliance Expansion Agreement will enhance global competition. Today, virtually all major U.S. airlines participate in international alliances with one or more foreign airlines. In the thousands of city pairs that United and Asiana will be able to serve jointly, antitrust immunity will enable them to provide fully coordinated connections and services that will stimulate competition with other carriers and alliances beyond what both airlines could accomplish through simple interlining or code sharing. The Department has previously recognized these benefits of global alliances,<sup>32</sup> and the addition of United/Asiana to the list of such

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<sup>30</sup> Order 2002-11-12 at 9 (American/Swiss).

<sup>31</sup> See, e.g., id. at 10-13; Order 2002-6-18 at 9-10 (Delta/KAL); Order 2000-10-12 at 7-8 (Northwest/Malaysian).

<sup>32</sup> See Order 2002-11-12 at 8 (American/Swiss); DOT First Report; and DOT Second Report.

alliances will help expand consumer choice and enhance competition in the global market.

**b. The United States-Far East Market<sup>33</sup>**

There is robust competition in the broad U.S.-Far East market, with more than 20 carriers operating hundreds of flights between the U.S. and the Far East each week. The United/Asiana alliance will compete with these carriers. Exhibit JA-5 lists the nonstop U.S.-Far East routes United and Asiana operate. That exhibit demonstrates that there is no overlap between Asiana's nonstop routes and those operated by United.

Based on the number of U.S.-Far East flights scheduled for the month of December 2002, Northwest Airlines is the largest operator, with a 16.6% share of the available nonstop seats. United, the second largest operator, holds a 14.2% nonstop seat share, while Asiana holds just a 2.7% share – a lower share than 10 other U.S.-Far East carriers (excluding United).<sup>34</sup> Adding Asiana's 2.7% seat share to United's 14.2% share will not significantly increase United's U.S.-Far East market share, nor will the alliance lead to any reduction in U.S.-Far East competition. In fact, adding Asiana's U.S.-Far East seat share to United's produces a combined U.S.-Far East seat share of only 16.9%, a figure nearly identical to Northwest's 16.6% share, and less than the combined Northwest/Malaysian share of 17.8%.<sup>35</sup>

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<sup>33</sup> The use of the term "Far East" excludes Australasia and Oceania, consistent with the Department's analysis in the Delta/KAL proceeding. See Order 2002-6-18 (Delta/KAL).

<sup>34</sup> See Exhibit JA-11.

<sup>35</sup> If shares are measured in terms of CRS bookings, the results are comparable. Although United's booking share is larger than Northwest's (16.8% compared to 13.3%), the combined share of United and



As these figures demonstrate, the U.S.-Far East market is highly competitive and relatively unconcentrated, with no individual carrier holding more than a 17.0% seat share and numerous carriers holding shares above five percent.<sup>36</sup> Given this level of competition and the lack of concentration by any single airline, the 16.9% share of available seats attributable to the Joint Applicants poses no risk to competition. Indeed, the Department recently highlighted the robust level of U.S.-Far East competition in its decision to grant antitrust immunity to the Delta/KAL alliance:

The U.S. - Far East market is [] highly competitive in terms of service. American Airlines, Continental Airlines, Delta, Northwest Airlines, and United Air Lines provide scheduled passenger service in this market from their hubs, either individually or in conjunction with an existing alliance. The market is also served by more than fifteen foreign airlines, principally from hubs in their homelands.<sup>37</sup>

Under these competitive conditions, the proposed integration of United's and Asiana's operations will enhance competition in the U.S.-Far East market by increasing these carriers' ability to compete against other carriers and alliances operating in this market.

**c. The United States-Korea Market**

The proposed United/Asiana alliance will not have an adverse impact on competition in the U.S.-Korea market. United does not currently offer any nonstop service to Korea. As a result, there will be no lessening of nonstop competition in the

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Asiana is just 20.6%, and the overall market is relatively unconcentrated, with only one other competitor, Northwest, holding a market share above 10% and six other carriers holding shares above 5%. See Exhibit JA-14.

<sup>36</sup> See id.

<sup>37</sup> Order 2002-6-18 at 9 (Delta/KAL); see also Order 2000-10-12 at 8 (Northwest/Malaysia).

U.S.-Korea market as a result of the United/Asiana alliance. Rather, this alliance will serve to enhance competition and provide increased choice and convenience for travelers between the U.S. and Korea.

Today, nonstop service between the U.S. and Korea is provided by three airlines – Asiana, KAL and Singapore Airlines – with KAL, a partner in an immunized alliance with Delta, holding the largest share. Based on schedules published in the OAG for December 2002, KAL has a 70.7% share of available nonstop seats between the U.S. and Korea, whereas Asiana has only a 21.2% share.<sup>38</sup> With the benefits of an integrated and more efficient route network, a United/Asiana immunized alliance can more effectively compete with the Delta/KAL alliance and, thus, provide more vigorous competition in the U.S.-Korea market.<sup>39</sup>

In addition to the three foreign carriers offering nonstop U.S.-Korea service, the market is served on an indirect basis by a number of carriers, including Northwest and United, which offer one stop service via Japan, and foreign carriers that provide connecting services via hubs in other Asian countries. The U.S.-Korea open skies agreement, which permits open entry for nonstop services by any U.S. carrier and

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<sup>38</sup> See Exhibit JA-10. Singapore Airlines, the third nonstop incumbent, operates daily nonstop service between San Francisco and Seoul and holds an 8.1% seat share.

<sup>39</sup> KAL's immunized alliance agreement with Delta and the SkyTeam alliance only underscores the potential pro-competitive and pro-consumer benefits of the proposed United/Asiana alliance. As KAL's Chairman and Co-CEO Yang Ho Cho noted, antitrust immunity gives Skyteam "greater flexibility and travel options and more competitive fares on international flights." Geoffrey Thomas, The yin and yang of Korean Air, *supra*, at 27. In light of the prominent role KAL plays in the SkyTeam alliance ("Delta has fed 18,000 passengers to KAL and [Air France] has added another 5,000"), a United/Asiana immunized alliance would serve to enhance competition and provide consumers with greater flexibility and choice on flights between the United States and Korea. See *id.*

facilitates entry by other Asian and U.S. carriers through code sharing and other cooperative ventures over intermediate points in Japan and elsewhere in Asia, ensures that competition in U.S.-Korea city pairs is and will remain vigorous.

Even looking only at simple historic concentration numbers (which are not the only relevant marker), it is evident that the U.S.-Korea market is well within the range the Department has found to pose no substantial risk to competition in other alliance cases. Based on consolidated CRS booking data for the 12 months ended October 2002, KAL is the leading carrier in the market, with a 41.6% booking share, a share more than 60% higher than that held by Asiana.<sup>40</sup>

The U.S. carrier with the largest booking share was United, with a share of just 17.1%. Other carriers with meaningful market shares include Northwest and Singapore, which operates nonstop service on the San Francisco-Seoul route and, under the terms of the U.S.-Singapore open skies agreement, is free to add service to Singapore via points in Korea on other routes. The market is also served by Japan Airlines and ANA via their hubs in Japan, although they hold lesser shares than the Korean and U.S. market incumbents. Moreover, with the recent grant of immunity to the Delta/KAL alliance, carrier market shares are shifting as Delta's share during the three months ended November 2002 was more than twice its share for the 12 months ending in October

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<sup>40</sup> See Exhibit JA-12.

2002.<sup>41</sup> United's share during that three-month period declined by over 12%, while Northwest's booking share increased.

In sum, this evidence demonstrates that the U.S.-Korea air service market is highly competitive, and that a grant of antitrust immunity to the United/Asiana alliance will not substantially reduce actual or potential competition in the market. Indeed, an immunized United/Asiana alliance would serve as a more effective check on Delta/KAL's current leading position in the market. Furthermore, the U.S.-Korea open skies agreement ensures that competitors and new entrants can respond effectively to any potentially anticompetitive behavior in this market.<sup>42</sup> Finally, the new state-of-the-art Incheon International Airport in Seoul offers substantial capacity for the introduction of new service to Korea.

**d. The Proposed Alliance Will Not Reduce Competition in Any Nonstop City Pair**

United does not currently offer nonstop service to Korea from any point in the United States. Thus, the United/Asiana alliance will not reduce nonstop competition in any city pair. United does, however, offer single-plane service between Seoul and both Chicago and San Francisco via Tokyo's Narita Airport.<sup>43</sup> Asiana does not offer nonstop or online indirect service on the Chicago-Seoul route. Accordingly, there will be no

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<sup>41</sup> See Exhibits JA-12 and JA-13.

<sup>42</sup> See Order 2002-6-18 at 10 (Delta/KAL) (Because of the U.S.-Korea open skies agreement, the Department "sees no reason why U.S. airlines could not begin new service to the Republic of Korea if the Joint Applicants charge supra-competitive fares or lower service below competitive levels.").

<sup>43</sup> United's Chicago-Seoul flight requires a change of plane at Narita, but the Seoul-Chicago flight is single-plane service.

diminution in competition on that route. Although Asiana does operate nonstop service between San Francisco and Seoul, KAL and Singapore Airlines both operate daily nonstop service on that route. With Northwest also operating one-stop service from San Francisco to Seoul via Tokyo and other U.S. and foreign carriers providing online service via their hubs, there is no risk of a substantial reduction in competition posed by the potential loss of United's service as an additional independent indirect routing alternative on the San Francisco-Seoul route. Moreover, as noted above, the U.S.-Korea open skies agreement contains no restrictions on entry or expansion in any city pair. Accordingly, there can be no concern regarding potential reduction in competition in relevant U.S.-Korea city pairs.

**e. Competition Summary**

In summary, an analysis of the proposed alliance and the competitive conditions in the global, U.S.-Far East, U.S.-Korea, and city-pair markets demonstrates that the proposed integration of the Joint Applicants' services will enhance competition and provide pro-competitive and pro-consumer benefits to the traveling and shipping public.

**2. The Joint Applicants Will Not Implement the Alliance Expansion Agreement Without Antitrust Immunity.**

As noted above, the Department does not grant antitrust immunity simply upon a finding that an agreement does not violate the antitrust laws. Rather, the Department will consider granting immunity if, among other things, the parties "would not otherwise go

forward” with the agreement.<sup>44</sup> Here, the Joint Applicants have determined that they cannot and will not carry out the full range of joint activities contemplated by their Alliance Expansion Agreement without protection from the threat of costly and burdensome private antitrust litigation afforded by antitrust immunity.

In particular, the Agreement contemplates joint sales, schedule coordination, revenue pooling, and joint pricing decisions. Even though these arrangements will promote competition, expand service, and achieve merger-type efficiencies, the parties would, without antitrust immunity, be subject to continuing risk of legal challenge by competitors. This threat would impede the expansion and integration contemplated under the Alliance Expansion Agreement and reduce the prospective benefits of the alliance. In view of this risk, United and Asiana will not proceed to achieve the full efficiency benefits possible under the Alliance Expansion Agreement without a grant of immunity.

**3. Granting Antitrust Immunity to the Alliance Expansion Agreement Would Promote the Public Interest.**

The Department has recognized repeatedly that international airline alliances provide important public benefits to the traveling and shipping public.<sup>45</sup> A grant of antitrust immunity for the Alliance Expansion Agreement would closely mirror the benefits achieved by previously immunized alliances. These benefits include, among other things, more efficient route networks, integrated air transport systems, and

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<sup>44</sup> Order 2002-6-18 at 11 (Delta/KAL).

<sup>45</sup> See Order 2002-6-18 at 7 (Delta/KAL) (“Our recent evaluation of international alliances shows that they stimulate traffic in . . . connecting markets and thereby increase competition and service options in the overall international market and increase overall opportunities for the traveling public and the aviation industry”; see also, DOT First Report; DOT Second Report).

enhanced competition with other alliances, including the recently immunized Delta/KAL alliance. Such pro-competitive benefits will result in lower costs for the carriers and will enable United and Asiana to offer the public a broader network of integrated services at a lower price.

In addition, a grant of antitrust immunity for the United/Asiana alliance will promote important U.S. aviation and foreign policy goals. When the United States and Korea signed an open skies agreement in 1998, “the two countries formally recognized that restrictive bilateral aviation relationships adversely affect important cultural and economic ties, and restrict the growth of trade between countries.”<sup>46</sup> Viewed in this light, a failure to approve the Alliance Expansion Agreement and grant antitrust immunity to the United/Asiana alliance would undermine the U.S.-Korea open skies relationship<sup>47</sup> and have negative consequences for U.S. aviation and foreign policy in the Asia-Pacific region.

Finally, a grant of immunity will make it possible for United and Asiana, over time, to bring the substantial benefits of integrated online service in the many behind- and beyond-gateway markets that the carriers serve. With immunity, United and Asiana will be better able to plan for the full coordination of services across their networks, linking the 194 cities United serves worldwide with the 58 cities Asiana serves, a global network of some 20,283 city/airport pairs. Indeed, through the integration of the United/Asiana

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<sup>46</sup> Order 2002-6-18 at 6 (Delta/KAL).

<sup>47</sup> In 1993, when the Department approved and immunized the Northwest/KLM alliance, the Department recognized that antitrust immunity can be an important tool in advancing the Department’s open skies policies. See Order 93-1-11 at 12.

networks, 7920 city pairs will receive their first online service from these carriers, bringing with it all the consumer benefits that global network access provides. These consumer benefits, along with the competition and foreign policy imperatives identified above, amply support the approval of, and grant of antitrust immunity for, the Alliance Expansion Agreement.

#### **IV. ADDITIONAL SHOWINGS**

The Joint Applicants provide the following additional information typically requested by the Department when analyzing applications for antitrust immunity.

1. **International Routes.** The international routes flown by United and Asiana are identified in the schedules attached as Exhibit JA-16. The Joint Applicants anticipate that they will continue serving these routes after their Alliance Expansion Agreement is approved. United also hopes to commence nonstop service to Korea when traffic warrants the introduction of additional nonstop service. The carriers will continue to adjust their schedules depending on market conditions and competitive opportunities.

2. **Code-Share Alliances.** Exhibit JA-8 details the current worldwide code-share arrangements of United, and Exhibit JA-7 details the current worldwide code-share arrangements of Asiana.

3. **The Star Alliance.** United is a member of the Star Alliance, a cooperative marketing alliance whose member carriers currently serve destinations in



virtually all parts of the world.<sup>48</sup> Asiana will become a member of the Star Alliance in 2003. Through joint marketing, code sharing, and other operational coordination, the Star Alliance members, consistent with applicable competition and other laws, seek to expand their route networks, increase the demand for their services, and secure other benefits such as frequent-flyer program enhancements, reciprocal lounge access, purchasing efficiencies, reduced global distribution costs, and, where possible, shared airport facilities. The Star Alliance members work cooperatively to improve interline connections between the members' networks, primarily by improving the connections between their services at principal hubs to facilitate the exchange of passengers across the members' networks, increasing the utilization of the members' services, and offering passengers improved service to more destinations worldwide.

The Star Alliance members also seek to coordinate operations, to the extent possible, in order to provide passengers a better, more seamless, and lower cost travel product. The members also use the "Star Alliance" mark as a means to distinguish their services in the marketplace and to enhance consumer loyalty.<sup>49</sup> United and Asiana plan to continue developing their independent code-share relationships with other Star Alliance member carriers.

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<sup>48</sup> The Star Alliance was formed on May 14, 1997, and now includes United, Austrian, Lauda, Lufthansa, SAS, Tyrolean, Air Canada, Air New Zealand, All Nippon Airways, British Midland, Mexicana, Singapore Airlines, Thai Airways International and Varig Brazilian Airlines.

<sup>49</sup> Individual Star Alliance members retain their separate corporate entities and maintain their own bilateral alliance agreements.

4. **United's U.S. Marketing Hub Airports.** The U.S. and foreign airlines offering service at each of the U.S. airports where United markets its services on the basis that the airport is a hub for United are detailed in Exhibit JA-15.

5. **Significant Service and Equipment Changes.** Upon approval of the Alliance Expansion Agreement, United and Asiana intend to broaden and deepen their cooperation in the city pairs where they plan to offer online service through code sharing and to expand the number of such city pairs. They anticipate that this, in turn, will stimulate demand over their integrated networks, which will increase load factors. Although increased traffic may ultimately lead to the introduction of new equipment, it is not contemplated in the near term.

6. **New Entry at Korean Airports.** Airport slots are available at Incheon to support new or increased service by U.S. carriers. Slots are allocated on a non-discriminatory, neutral and transparent basis under IATA's standard slot allocation procedures. Incheon International Airport also offers an abundance of gates and other facilities for new or increased U.S. carrier service.

7. **Impact on United's Revenue.** The United/Asiana alliance is an integral element in United's global network structure. United anticipates that expansion and development of its alliance with Asiana will generate additional traffic and revenue, enhance United's operating efficiencies, and have a positive impact on United's system profitability.

8. **Labor Issues.** A grant of immunity for the Alliance Agreement will have a positive effect on job security, growth, and opportunity for employees of both United and Asiana, as it will support the carriers' ability to extend their respective networks and offer efficient, competitive services.

9. **Computer Reservations Systems.** Consistent with Department precedent, United and Asiana request that the grant of antitrust immunity encompass the presentation and sale of their services in computer reservations systems and the operation of their internal reservations systems.

10. **Civil Reserve Air Fleet.** A grant of this application will have no effect on United's commitments to the Civil Reserve Air Fleet.

11. **Asiana's Top 50 City Pairs.** Internal coupon data for Asiana's top 50 city pairs involving a U.S. point for the twelve months ended August 2002 are provided in Exhibit JA-9.

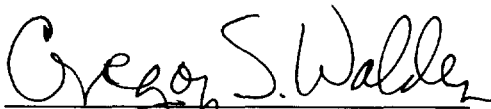
12. **Document Production.** The Joint Applicants are submitting separately, under motions for confidential treatment, documents comparable to those submitted in recent antitrust immunity proceedings as detailed in Exhibit JA-17. Where necessary, translations from Korean to English have been provided.

## V. CONCLUSION

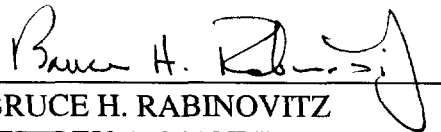
WHEREFORE, for the foregoing reasons, the Joint Applicants respectfully request that the Department approve on an expedited basis, under 49 U.S.C. § 41309, and

grant antitrust immunity for, under 49 U.S.C. § 41308, the United/Asiana Alliance Expansion Agreement, enabling the Joint Applicants to broaden their cooperation, enhance the efficiency of their joint services, and expand the competitive network benefits they provide to the traveling and shipping public.

Respectfully submitted,



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Dated: January 3, 2003

***Index of Exhibits to Joint Application  
of United and Asiana***

<b><u>Number</u></b>	<b><u>Title</u></b>
Exhibit JA-1	Alliance Expansion Agreement by and between Asiana Airlines and United Air Lines, Inc. executed on December 23, 2002
Exhibit JA-2	Asiana Airlines/United Airlines Marketing Cooperation Agreement executed on August 27, 2002
Exhibit JA-3	Asiana Airlines/United Code Share and Regulatory Cooperation Agreement executed on August 27, 2002
Exhibit JA-4	International Passenger Prorate Agreement effective December 1, 2002
Exhibit JA-5	Joint Applicants' Nonstop U.S.-Far East Operations
Exhibit JA-6	United/Asiana Code-Share Services
Exhibit JA-7	Asiana's Code-Share Agreements
Exhibit JA-8	United's Code-Share Arrangements
Exhibit JA-9	Asiana's Top 50 Origin and Destination Markets To and From the United States
Exhibit JA-10	U.S.- South Korea Nonstop Departures and Seats
Exhibit JA-11	U.S.-Far East Seat Shares
Exhibit JA-12	U.S.-South Korea Nondirectional Bookings
Exhibit JA-13	U.S.-South Korea Nondirectional Bookings for the Three Months Ended November 30, 2002
Exhibit JA-14	U.S.-Far East Nondirectional Bookings
Exhibit JA-15	Carriers Operating Scheduled International Passenger Service at United's Domestic Marketing Hubs
Exhibit JA-16	United and Asiana Timetables
Exhibit JA-17	United and Asiana Document Production

# **ALLIANCE EXPANSION AGREEMENT**

by and between

**ASIANA AIRLINES**

and

**UNITED AIR LINES, INC.**

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THIS ALLIANCE EXPANSION AGREEMENT ("EXPANSION AGREEMENT.") is made and entered into on January 1, 2003 ("the Effective Date") by and between:

Asiana Airlines (which, together with Affiliates it may have, shall be referred to as "Asiana"), a Korean company with its registered office at Asiana Town, Kangseo, P.O. Box 98, #47 Osae-Dong, Kangseo-Ku, Seoul 157-600, Korea and United Air Lines, Inc. (which, together with any Affiliates it may have, shall be referred to as "United") a corporation organized and existing under the laws of the state of Delaware and having its principal executive office at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007, USA

In this Expansion Agreement, Asiana and United may each be individually referred to as a "Party" and may be collectively referred to as the "Parties".

WHEREAS, pursuant to the Marketing Cooperation Agreement concluded between the Parties as of August 27, 2002, and the Code Share and Regulatory Cooperation Agreement concluded between the Parties as of August 27, 2002("the 2002 Agreements"), the Parties have operated an alliance based on limited cooperation which has created benefits for the travelling public; and

WHEREAS, the Parties now seek to enhance their alliance and expand it to all areas of the world served by either Party, whereby the cooperation between the Parties will be generally broadened and deepened; and

WHEREAS, the enhanced alliance will expand the benefits afforded by the Parties to the travelling and shipping public, and will facilitate new benefits including integrated service products, increased cost efficiencies, increased time efficiencies, and improved service options; and

WHEREAS, expansion of the Parties' cooperation in various commercially important areas may require a revenue sharing approach for certain routes served by the Parties; and

WHEREAS, the Parties will seek immunity of this Agreement and the arrangements and activities specified or contemplated under it from U.S. antitrust laws pursuant to 49 U.S.C. §§ 41308 and 41309, without which the Parties will not proceed with expansion of their alliance as set forth herein.

NOW THEREFORE, in consideration of the mutual covenants of the Parties herein contained the Parties hereby agree:

#### **ARTICLE 1: DEFINITIONS**

Capitalized terms shall have the meanings ascribed to them in Schedule 1

#### **ARTICLE 2: SCOPE OF THE ALLIANCE**

### **2.1 The Asiana/United Alliance**

The Parties shall plan and operate their respective networks, facilities and operations to create an integrated global passenger air transport service ("Asiana/United Alliance"). The Asiana/United Alliance formed pursuant to this Expansion Agreement reinforces and expands upon the alliance formed pursuant to the 2002 Agreements, which shall remain in full force and effect. The Asiana/United Alliance shall be implemented by the Parties pursuant and subject to the terms and conditions set out in the 2002 Agreements and this Expansion Agreement. In case of any inconsistency between the 2002 Agreements and this Expansion Agreement, this Expansion Agreement shall take precedence.

### **2.2 Areas of Expanded Cooperation**

The Parties shall further integrate their activities in each of the following substantive areas as set forth in greater detail in this Expansion Agreement and in such Implementing Agreements as the Parties may conclude pursuant to Article 2.3 hereof

- Route and Schedule Coordination
- Marketing, Advertising and Distribution
- Co-Branding and Joint Product Development
- Code Sharing
- Pricing, Inventory and Yield Management Coordination Pricing
- Revenue Sharing
- Joint Procurement
- Support Services
- Cargo Services
- Information Systems
- Frequent Flyer Programs
- Financial Reporting
- Harmonization of Standards/Quality Assurance
- Technical Services/Maintenance
- Facilities

The Parties shall also explore and pursue other opportunities for operational efficiencies from joint utilization of either Party's services and facilities, whenever feasible.

### **2.3 Contractual Framework**

This Expansion Agreement establishes the basic principles for expansion of the alliance already in operation pursuant to the 2002 Agreements.

The parties may to enter into Implementing Agreements in order to define further and put into effect various details of the Asiana/United Alliance. Any such Implementing Agreement shall be based upon and be consistent with, and its provisions shall be interpreted by reference to, this Expansion Agreement, except as the Parties may otherwise expressly agree in any such Implementing Agreement.

## **2.4 Retention of Corporate Identity**

**2.4.1** The Parties shall remain independent Air Carriers and each Party shall retain its own corporate identity. Each Party shall remain an entirely separate corporate entity, and unless otherwise expressly provided in this Agreement, will retain its own independent decision making and managerial competence and authority in all matters. Each party shall be responsible for supervising its representatives on the Alliance Committee.

**2.4.2** Each Party is and shall remain an independent contractor. Nothing in this Agreement is intended to or shall be construed to create or establish any agency relationship, partnership, joint venture, or fiduciary relationship between the Parties. Except to the extent it is expressly so authorized in writing by the other Party, neither Party nor any of its Affiliates has authority to act for or to incur any obligations on behalf of or in the name of the other Party or any of its Affiliates.

## **ARTICLE 3: ALLIANCE, ADMINISTRATION**

### **3.1 Administrative Structure For The Alliance**

The Asiana/United Alliance shall be administered by the Joint Alliance Committee ("Alliance Committee") established pursuant to the 2002 Agreements. The decisions of the Alliance Committee shall, provided they are properly within the scope of the functions and responsibilities allocated to the Alliance Committee by this Expansion Agreement or an Implementing Agreement, be binding on the Parties. The Parties shall take all necessary steps to ensure that such decisions are implemented by their respective organizations.

### **3.2 The Alliance Committee**

In addition to its responsibilities under the 2002 Agreements, the Alliance Committee shall administer the implementation and operation of the Asiana/United Alliance in the substantive areas set forth in Article 2.2 hereof. In particular, unless instructed otherwise by the Parties acting jointly, the Alliance Committee shall be responsible for the following:

#### **3.2.1 Alliance Coordination**

The Alliance Committee shall be responsible for coordination of Asiana/United Alliance activities conducted by the Parties and for monitoring the application of this Expansion Agreement and of the Implementing Agreements.

**3.2.2 Performance Monitoring**

The Alliance Committee shall monitor the performance of the Asiana/United Alliance and identify further areas in which synergies can be achieved.

**3.2.3 Quality Control**

The Alliance Committee shall define standards and goals for Asiana/United Alliance services in the various operational areas, consistent with Article 4.13 hereof ("Harmonization of Standards and Quality Assurance") and shall monitor the performance of the Parties in achieving those defined standards and goals.

**3.2.4 Further Improvements**

The Alliance Committee shall seek to identify ways to improve the performance of the Asiana/United Alliance and, where appropriate, make specific recommendations to the Parties.

**3.3 Commercial Decision Making**

**3.3.1** Each Party retains the right to make independent operational and business decisions. Nevertheless, the Parties will endeavor to cooperate regarding joint commercial efforts undertaken in connection with the Asiana/United Alliance and this Expansion Agreement. If, after being addressed by the Alliance Committee, there is a disagreement between the Parties concerning an operational or business opportunity within the Alliance Committee's area of responsibility ("Commercial Opportunity"), each Party shall be free to make its own independent business decision with regard to the subject matter of the Commercial Opportunity notwithstanding the existence of the Asiana/United Alliance.

**3.3.2** Notwithstanding Article 9 hereof, under no circumstances shall any Commercial Opportunity be the subject of any dispute resolution procedure pursuant to Articles 9.2 and 9.3 or any other proceedings in any national court, arbitration tribunal, administrative body, or other legal body, and each Party hereby:

- Irrevocably undertakes not to commence, participate in, invite, invoke or otherwise assist in any such proceedings; and

- Irrevocably and unconditionally waives any and all rights of any description whatsoever in respect of any such Commercial Opportunity, except for the rights to preclude any proceedings in respect of any such Commercial Opportunity and to proceed unilaterally.

## **ARTICLE 4: PRINCIPLES FOR EXPANDED COOPERATION**

### **4.1 Route and Schedule Coordination**

The Parties shall coordinate route and schedule planning to the maximum feasible extent throughout their global route networks. The goals of their coordination shall generally be:

- **Maximizing Transport Option:** To offer the maximum number of travelling and shipping options of optimal quality to the public so that passengers and shippers are able to utilize the most efficient routings regardless of which Party is operating the flight.
- **Allocating Resources Efficiently:** To allocate and use the Parties' respective resources and capabilities, including but not limited to their fleets and airport slots and gates within the Asiana/United Alliance network, in the most efficient way, consistent with each Party's system wide needs and regulatory constraints, and to minimize costs, such as delays and aircraft "dead time".
- **Enhancing Profitability** To enhance their profitability through coordinated route and schedule planning, joint determination of optimal capacities, improved service, and increased efficiency.

### **4.2 Marketing, Advertising and Distribution**

The Parties shall establish closer global cooperation and greater integration of their marketing, advertising and distribution networks, programs, and systems, to the extent they jointly deem commercially beneficial. Without limiting the range of other coordinated activities the Parties may undertake, the Parties agree as follows.

- **Marketing** - The parties shall seek to provide for joint marketing of Asiana/United Alliance services, including joint marketing targeted to corporate, group, and government customers and joint marketing of the Parties' frequent flyer programs, which shall be coordinated as described in Article 4.11 hereto.

To facilitate marketing and sales integration, the Parties may jointly create a unified commissions schedule using a single commissions accounting

system, common override agreements for retail accounts, corporate accounts, and consolidator and special accounts; tour and vacations programs, and standard contracts.

- **Advertising** - The parties shall seek to provide for joint marketing of Asiana/United Alliance services. Such advertising shall seek to emphasize the geographic scope and breadth of services of the Asiana/United Alliance.
- **Distribution** - The Parties shall seek to establish in certain geographic areas a coordinated sales force, which shall conduct for the Asiana/United Alliance distribution activities, such as field sales, reservations, operating city ticket offices, and special services (e.g., those directed to travel agencies, corporations, governments, groups, and VIP customers). The Parties shall seek to represent each other in certain geographic areas through general sales agencies and similar means, and may coordinate their use of general sales agents and consolidators in certain geographical areas. The Parties shall also seek to consolidate selected sales administration and planning functions, create common sales goals and support activity plans, and develop and coordinate use of electronic products and distribution channels as described in Article 4.10 hereto.

#### **4.3 Co-Branding and Joint Product Development**

The Parties shall seek to co-brand existing products and to this end shall explore the creation of a joint logo and/or joint corporate markings. The Parties shall also seek to jointly develop co-branded products, including, but not limited to, interior design, decoration and cabin layout, in-flight entertainment amenities and services, and passenger ground services.. The Parties shall also seek to share existing and future product and market research conducted by either Party and jointly undertake future product and market research. The Parties shall generally coordinate service offerings to ensure that onboard service throughout their respective networks is of a comparable high quality.

#### **4.4 Code Sharing**

In addition to the Code Sharing agreed under the 2002 Agreements, each Party shall, to the extent permitted by applicable treaties, laws and regulations, give the other Party the opportunity to engage in Code Sharing on any or all nonstop scheduled passenger services for which it is the operating carrier between Korea and the United States and such other services as the Parties may jointly select from time to time.

#### **4.5 Pricing, Inventory and Yield Management Co-ordination**

The Parties shall consult and coordinate on pricing, inventory and yield management with respect to all services included in their respective networks. Without limiting the range of other coordinated activities the Parties may undertake, the Parties shall, to the extent they jointly deem commercially beneficial:

- jointly develop, coordinate and offer fare products, including corporate fares, net fares, and retail sale promotional fares that use and enhance the Asiana/United Alliance's global capabilities;
- jointly develop, coordinate, and prepare bids for group business and U.S. and Korea government business utilizing the Asiana/United Alliance's global schedule;
- jointly develop and apply consistent uniform auxiliary service charges and collection policies (e.g., excess baggage, pets);
- harmonise methods and procedures concerning revenue management (e.g., passenger protection, dupe check, wait list priorities); and
- jointly develop inventory management allocations consistent with the principles set forth in Article 4.1 hereof.

#### **4.6 Revenue Sharing**

The Parties may share net revenues (less certain operating costs) received by either Party for scheduled passenger air transportation on certain routes subject to such additions or exceptions as the Parties may mutually determine from time to time. The selection of routes subject to revenue sharing, the definitions of gross and net revenue and operating costs, and the Parties' respective revenue allocations shall be determined in accordance with specifications and rules to be established jointly by the Parties. Revenue sharing shall be implemented as soon as practicable after these specifications and rules have been agreed. Until such time as these specifications and rules have been agreed the existing prorate agreements between the parties, and any future replacement or modification thereof, shall remain in effect under the conditions and terms specified therein.



#### **4.7 Joint Procurement**

The Parties shall seek economically viable joint procurement opportunities with the overall objective of reducing costs. Generally, the Parties shall seek cost reductions through;

- obtaining lower prices for necessary goods and services through volume purchases, establishment of common specifications, and improved access to world pricing data. Goods and services that may be subject to joint procurement include but are not limited to: ground handling services, general goods and services, field and station supplies, catering, crew uniforms, information technology products and services, aircraft and equipment, fuel and maintenance;
- eliminating redundant purchasing activities in geographic areas where one Party has a superior presence and knowledge of that market and
- cooperation between the existing purchasing organisations, the creation of dedicated joint procurement groups, and/or the establishment of single joint purchasing group.

#### **4.8 Support Services**

##### **4.8.1 Passenger and Ramp Services**

The Parties shall continue their co-operative efforts with respect to ground and in-flight passenger and ramp services as established in the 2002 Agreements (including, for example, passenger processing, through check-in, transfers, shared lounge facilities, baggage handling aircraft ground handling, and maintenance), and they shall seek to extend this cooperation to all airports served by the Parties. In third-country markets, the Parties will seek to identify the most cost-effective means of meeting their combined needs.

##### **4.8.2 Training**

The Parties shall implement joint training of crews and other personnel to the extent commercially and operationally feasible.

##### **4.8.3 Catering**

The Parties shall explore joint purchasing opportunities for their catering operations and related services. They shall also seek to establish common specifications and requirements for food, beverage, and catering supplies and equipment to the extent commercially and operationally feasible.

#### **4.9 Cargo Services**

Without limiting the applicability of the other provisions of this Expansion Agreement to the Parties' cooperation in the area of cargo, the Parties shall seek to harmonise and integrate their cargo services in ways that will enable them to maximise the utilisation of their global route networks and resources including, to the extent agreed in cargo specific Implementing Agreements, the joint development of express cargo products, joint usage of cargo facilities and terminals, ground handling, co-ordination of trucking and RFS services, and the harmonisation of standards for cargo products and services (e.g., joint ISO 9000 certification).

#### **4.10 Information Systems**

The Parties shall seek to coordinate or harmonise their information systems, including without limitation, inventory, yield management, reservations, ticketing, distribution and other operational systems. To this end, the Parties shall consider implementation of the following consistent with the needs of the Parties and the Asiana/United Alliance.

- Joint development and coordinated utilisation of new information technologies to facilitate compatible ticketing systems and products (such as electronic ticketing, Smart Cards, and Chip Cards), distribution channels (such as on-line networks), flight planning, accounting, maintenance, and such other systems and functions as the Parties may identify from time to time.
- Consolidation and/or co-ordination of existing information systems, resources and functions, such as voice and data networks, reservations networks, business resumption plans, backup site support, help desk support, system installation and maintenance, software distribution and licensing, LAN administration, and information systems business and technical skills.
- The ultimate goal of such harmonisation shall be the integration of all information technology systems to the fullest extent consistent with the commercial integration taking place in other areas of the Asiana/United Alliance. The implementation shall be driven by the business needs for integrated information technology support. However, the Parties do not intend to coordinate the management of their respective interests in the CRS systems owned and operated by Galileo International Partnership as well as Abacus respectively.

**4.11 Frequent Flyer Programs**

The Parties shall expand coordination of their Frequent Flyer Programs, as set forth in Paragraph 4(B)(3) of the 2002 Marketing Cooperation Agreement, so that passengers will be able to accrue and redeem mileage on either program for all flights throughout the Parties' respective air transportation networks. The Parties shall consider fuller coordination of their Frequent Flyer Programs.

**4.12 Financial Reporting**

To facilitate revenue sharing and to promote easier coordination of yield management, the Parties shall consider harmonizing their financial reporting practices, including revenue and cost accounting practices.

**4.13 Harmonization of Standards & Quality Assurance**

The Parties shall seek to harmonize their respective product standards, service levels and Inflight amenities. Pending such full harmonization, each Party shall in all respects afford customers of the other Party the same standard of service as it provides to its own customers.

**4.14 Technical Services Maintenance**

The Parties shall explore the possibility of each Party providing to the other Party aircraft and ground equipment, technical and maintenance services at appropriate locations.

**4.15 Facilities**

The Parties shall seek to share facilities and services at airports served by the flights of both parties, especially Code Shared Flights, to the extent commercially and technically reasonable.

**ARTICLE 5: IMPLEMENTATION**

**5.1 Implementation Plan**

Subject to the conditions set forth in Article 7 hereof, the Parties intend to implement the Asiana/United Alliance as provided for in this Expansion Agreement commencing on the later of the first business day following the fulfilment of all of the conditions precedent contained in Paragraph 7.1 hereof or the first business day following the expiration of any regulatory restrictions on the timing or the activities contemplated in this Expansion Agreement (in either case, the "Implementation Date") and in accordance with an Implementation Plan to be developed jointly by the Parties.

## **5.2 Implementation Agreements**

In order to create, develop, manage and maintain the Asiana/United Alliance, the parties have determined that Implementing Agreements may be necessary. The Parties shall use all reasonable endeavours, to conclude Implementing Agreements as appropriate, in accordance with the Implementation Plan.

## **5.3 Regulatory**

The Parties shall make a common approach to the U.S. and other agreed relevant authorities for the purpose of obtaining all Regulatory Approvals relevant to the Asiana/United Alliance and the activities contemplated under this Agreement. Should it become necessary to obtain regulatory approval from relevant authorities in Korea with respect to the Asiana/United Alliance, and the activities contemplated under this Agreement, the Parties agree to make a common approach to the applicable Korean authorities for approval.

## **5.4 No Infringement**

No Party shall be required by this Expansion Agreement under any circumstances to take any action which would infringe any statute, regulation or Approval or the order of any authority or court having jurisdiction over such Party or over all or any of the transactions contemplated by this Expansion Agreement.

# **ARTICLE 6. ARRANGEMENTS WITH THIRD PARTY CARRIERS**

## **6.1 Admission of Third Parties**

The Parties will be open to opportunities for cooperation with other potential participants in the Asiana/United Alliance. Admission of third parties as additional participants in the Asiana/United Alliance shall take place only by mutual consent of the Parties.

## **6.2 Alliances With Other Carriers**

Each Party shall notify the other Party in advance and shall discuss with the other Party, any Cooperative Agreement which it proposes to enter into with any third party Air Carrier, or any significant extension or amendment which it proposes to make to any existing Cooperative Agreement with any third party Air Carrier, following the Effective Date. In order to maximize synergies and enhance customer service, the Parties shall seek to have alliances with the same third party Air Carriers, where feasible.

## **6.3 Commuter Carriers**

Asiana and/or United shall use its best efforts to encourage its feeder network carriers to join the Asiana/United Alliance, as expanded in accordance with this Expansion Agreement, effective upon the Implementation Date.

## **ARTICLE 7: CONDITIONS**

### **7.1 Conditions Precedent**

This Expansion Agreement shall not take effect until and unless the following Board and Management Approvals and Regulatory Approvals have been achieved, or obtained, or waived:

#### **7.1.1 Board and Management Approval**

Final internal management approval and board of directors approval, as necessary, of this Expansion Agreement has been obtained by both Parties.

#### **7.1.2 Regulatory Approvals**

All regulatory Approvals must have been obtained, including (without limitation) all requested approvals, authorizations, and clearances from the United States Department of Justice and Transportation, including the immunization of the Parties from liability under the antitrust laws pursuant to 49 U.S.C. §§ 41308 and 41309 and for all activities provided for in this Expansion Agreement, subject to conditions, if any, that are acceptable to both Parties.

#### **7.1.3 Adverse Actions**

The absence of any governmental or legal actions that would have a material adverse effect on the implementation this Alliance Expansion Agreement.

The Parties may jointly agree to waive in writing in whole or in part all or any of the conditions precedent set forth in Article 7.1 hereof.

### **7.2 Cooperation**

The Parties shall cooperate fully and shall individually and collectively use all reasonable endeavours to fulfil or procure the fulfilment of the conditions set forth in Article 7.1 hereof and shall notify the other Party immediately upon the satisfaction of such conditions. In this connection, the Parties will work together to secure any government and other regulatory Approval as necessary to give effect to this Alliance Extension Agreement, and each Party, at its own expense, at the commercially

reasonable request of the other Party, execute all documents and do all acts and things as are necessary to achieve such Approvals.

### **7.3 Termination for Non-Fulfilment of Conditions**

7.3.1 In the event that a government or other regulatory Approval is subject to conditions or if a court of competent jurisdiction determines that any provision in the Alliance Expansion Agreement is in breach of applicable statutory or regulatory provisions, then the Parties will consult in good faith to determine whether this Alliance Expansion Agreement can be amended to affirmatively address such conditions or court determination without having a material adverse effect on the implementation of this Alliance Expansion Agreement. If they both concur that such is possible, then they will use their best commercially reasonable best efforts to so amend this Alliance Expansion Agreement. The foregoing, however, shall in no way affect either Party's right to terminate this Alliance Extension Agreement pursuant to Article 7.3.2 or Article 8.

7.3.2 In the event of any of the matters set forth under Article 7.1 hereof not having been achieved or obtained (or waived by written consent of the Parties) on or before , December 23, 2002 or such later date as may be agreed in writing between the Parties, either Party shall (provided it shall have complied with its obligations under Article 7.2 hereto) be entitled to terminate this Expansion Agreement upon written notice to the other Party.

7.4 The Parties shall cooperate fully and shall individually and collectively use all reasonable endeavours to procure any subsequent Approval that the Parties agree have become necessary.

## **ARTICLE 8: DURATION AND TERMINATION**

### **8.1 Indefinite Term**

The Asiana/United Alliance shall continue indefinitely unless terminated in accordance with Article 7.3 or the following provisions of this Article 8.

### **8.2 No Termination During Initial Term**

Except as provided in Article 8.4 hereof, neither Party shall be entitled to terminate this Expansion Agreement during an initial term of two years following the Implementation Date ("Initial Term").

### **8.3 Termination Based on Commercial Opportunity**

Except as provided in Article 8.4 hereof, following that expiration of the Initial Term, each Party shall be entitled to terminate this Expansion Agreement, by serving six months' written notice on the other Party, provided that:

- 8.3.1 the reason for the termination is a failure to reach agreement on a Commercial Opportunity after reasonable effort to do so;
- 8.3.2 the Commercial Opportunity in question, in the reasonable opinion of the terminating Party, concerns a fundamental, strategic operational or business decision relating to the Asiana/United Alliance or to the terminating Party's business or is one of a number of unresolved Commercial Opportunities which in the reasonable opinion of the terminating Party cumulatively render a continuation of the Asiana/United Alliance between the Parties undesirable or impractical for that Party,
- 8.3.3 the Parties' failure to resolve such Commercial Opportunity, in the reasonable opinion of the terminating Party, has treated or is likely to create a fundamental adverse effect on the business, prospects or assets of the Asiana/United Alliance or of the terminating Party; and
- 8.3.4 the terminating Party has given prior written notice to the other Party that, in the event of the Parties failing to resolve the Commercial Opportunity, the terminating Party would consider termination of this Alliance Expansion Agreement pursuant to this Article 8.3.

Each Party's right to terminate this Expansion Agreement as described in this article 8.3 is in addition to other termination rights as provided in Articles 8.4 and 8.5 hereof

#### **8.4 Termination for Cause**

Either Party may terminate this Expansion Agreement at any time with immediate effect by serving written notice on the other Party within four months of the terminating Party first becoming aware of the occurrence of any of the following events:

- 8.4.1 an Insolvency Event in respect of the other Party.
- 8.4.2 a Change of Control in respect of the other Party; or
- 8.4.3. a Material Default which is not capable of remedy or which, if capable of remedy, is not remedied to the terminating Party's

reasonable satisfaction within thirty (30) days after that Party has given the other Party written notice requiring it to be remedied; or

- 8.4.4 after the implementation of this Alliance Expansion Agreement, the (a) withdrawal or termination of immunity from the antitrust laws of the United States, or (b) the imposition of conditions or limitations on Approvals, actions by any court of competent jurisdiction, or changes in applicable law having a material adverse affect upon the alliance or this Alliance Expansion Agreement.

**8.5 Termination without Cause**

At any time after the fourth annual anniversary of the Implementation Date, either Party shall be entitled to terminate this Expansion Agreement for any reason by serving upon the other Party not less than six (6) months notice in writing.

**8.6 Effect of Termination**

Termination of this Expansion Agreement shall be without prejudice to any rights or liabilities that accrued under this Expansion Agreement prior to such termination.

**8.7 Coordination with Termination of 2002 Agreements**

Termination of this Alliance Expansion Agreement by either Party shall automatically constitute and effectuate, contemporaneously therewith, a termination of the 2002 Agreements, and termination of the 2002 Agreements by either Party shall automatically constitute and effectuate, contemporaneously therewith, a termination of this Alliance Expansion Agreement.

**ARTICLE 9: GOVERNING LAW AND CONTRACT DISPUTE RESOLUTION**

**9.1 Governing Law**

This Expansion Agreement shall be governed by and construed in accordance with the laws of the State of New York, USA, without reference to the choice of law provisions thereof

**9.2 Dispute Resolution**

The Alliance Committee shall attempt to resolve any disputes that arise concerning interpretation of this Expansion Agreement or the performance of either Party. The Alliance Committee shall meet within ten (10) days upon notice by either Party that a dispute exists. If the Alliance Committee cannot resolve any such dispute within seven (7) days following the first day of such meeting, the dispute shall be referred to the Parties, which shall meet personally or by telephone within five (5) days.



If no resolution is reached within three (3) days following the first day of such meeting, either Party may refer the matter to arbitration as specified in Article 9.3 below.

**9.3 Arbitration**

After completing the procedure set forth in Article 9.2 above, either Party may refer any dispute concerning interpretation of this Expansion Agreement or performance of contractual obligations hereunder to arbitration. All such disputes shall be finally settled by arbitration. The arbitration shall be conducted in New York, in English in accordance with IATA Resolution 780, "Interline Traffic Agreement - Passengers, Article 9 - Arbitration".

**ARTICLE 10: CONFIDENTIALITY**

**10.1 Limitation on Disclosure and Use of Information**

Except as necessary in any proceeding to enforce any of the provisions of this Expansion Agreement neither Party will, without the prior consent of the other, use, publicize or disclose to any third party, either directly or indirectly, any of the following (hereinafter "Confidential Information"):

- (i) this Expansion Agreement or any of the terms or conditions of this Expansion Agreement;
- (ii) any Implementing Agreement or the terms or conditions of any Implementing Agreement; or
- (iii) any confidential or proprietary information or data, in any form, received from and designated as such by the disclosing carrier, unless and to the extent that such Confidential Information consists of documents in the public domain.

**10.2 Response to Legal Process**

If either Party is served with a subpoena or other legal process requiring the production or disclosure of any Confidential Information obtained from the other Party, then the subpoenaed Party, before complying, will immediately notify the other Party and take reasonable steps to afford that other Party a reasonable period of time to intervene and contest disclosure or production.

**10.3 Action Upon Termination**

Upon termination of this Expansion Agreement, all Confidential Information, including any copies thereof made by the receiving Party, must be returned to the disclosing Party or destroyed.

#### **10.4 Exchanged Data**

Neither Party shall use information or data provided by the other Party (whether or not designated confidential or proprietary) in connection with this Expansion Agreement except in fulfilment of its obligations hereunder.

#### **10.5 Survival**

This Article shall survive the expiration or termination of this Expansion Agreement.

### **ARTICLE 11: FORCE MAJEURE**

Neither Party will be liable for delays or failure in performance under this Expansion Agreement caused by acts of God, war, sabotage, strikes, labour disputes, work stoppage, fire, acts of government or any other event beyond the reasonable control of that Party.

### **ARTICLE 12: SEVERABILITY**

In the event that any one or more of the provisions of this Expansion Agreement shall be determined to be invalid, unenforceable or illegal, such invalidity, illegality and unenforceability shall not affect any other provision of this Expansion Agreement, and the Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained in this Expansion Agreement. In that event or if an Approval is withdrawn or Approval that becomes necessary subsequent to the Effective Date is not granted, the Parties shall negotiate any appropriate adjustments to the terms of this Expansion Agreement so that the effects of such invalidity, illegality or unenforceability are shared fairly by the Parties. If the Parties are unable to negotiate such an adjustment within a reasonable period of time, such invalidity, illegality or unenforceability shall constitute a Material Default by both Parties if its effects are Material, entitling either Party to terminate in accordance with Article 8.4.3. If the effects of such invalidity, illegality or unenforceability are not Material, the invalid, illegal or unenforceable provision shall not affect any other provision of this Expansion Agreement, and the Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained in this Expansion Agreement.

### **ARTICLE 13: HEADINGS**

The headings contained in this Expansion Agreement are inserted purely as a matter of Convenience and neither form an operative part of it nor are to be used in interpreting its meaning.

#### **ARTICLE 14: GENERAL INDEMNIFICATION**

Except as otherwise provided herein, each Party shall indemnify and hold harmless the other Party and the directors, officers, employees, Affiliates and agents of the other Party from all liabilities, damages, losses, claims, suits, judgements, costs, and expenses, including reasonable attorneys' fees and expenses, directly or indirectly, incurred by the other Party as the result of any third party claims that arise out of or in connection with the performance or failure of performance of the indemnifying Party's obligations hereunder. In addition, each Party shall indemnify and hold harmless the other Party, Affiliates and agents of the other Party from all liabilities, damages, losses, claims, suits, judgements, costs, and expenses, including reasonable attorneys fees and expenses, directly or indirectly incurred by the other Party as the result of any claims by third parties that arise out of or in connection with any products or services received from or supplied by the indemnifying Party or its Affiliates in connection with this Expansion Agreement and/or the Asiana/United Alliance. This Article shall survive the expiration or termination of this Expansion Agreement.

#### **ARTICLE 15: EXCLUSION OF CONSEQUENTIAL, DAMAGES**

NEITHER PARTY SHALL BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOST REVENUES, LOST PROFITS, OR LOST PROSPECTIVE ECONOMIC ADVANTAGE, WHETHER OR NOT FORESEEABLE AND WHETHER OR NOT BASED ON CONTRACT, TORT, WARRANTY CLAIMS OR OTHERWISE IN CONNECTION WITH THIS EXPANSION AGREEMENT, AND/OR THE PRODUCTS OR SERVICES PROVIDED HEREUNDER, AND EACH PARTY HEREBY RELEASES AND WAIVES ANY CLAIMS AGAINST THE OTHER CARRIER REGARDING SUCH DAMAGES. THIS ARTICLE SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS EXPANSION AGREEMENT.

#### **ARTICLE 16: NOTICES**

Notices, demands, consents, approvals and any other communication required or permitted under this Expansion Agreement shall be in writing and given by personal delivery, first class airmail, or facsimile transmission to the Party to be served as follows:

For United

United Air Lines, Inc.  
P.O. Box (WMQVQ) 66100

Chicago, Illinois 60666  
USA  
Attn.: Vice President-Resource Planning  
Fax: 1 847 700 2534

United Air Lines, Inc.  
P. O. Box (WHQLD) 661 00  
Chicago, Illinois 60666  
USA  
Attn: General Counsel  
Fax: 1 847 700 4386

For Asiana:

Asiana Airlines, Inc.  
Asiana Town,  
Kangseo P.O. Box 98  
#47 Osae-Dong, Kangseo-Ku  
Seoul, Korea 157-600  
Attn.: Senior Vice President-Marketing Planning, Alliance &  
Bilateral Affairs  
Fax: 82 2 669 5320

Asiana Airlines, Inc.  
Asiana Town,  
Kangseo P.O. Box 98  
#47 Osae-Dong, Kangseo-Ku  
Seoul, Korea 157-600  
Attn.: General Counsel (AALGZ)  
Fax: 82 2 669 3871

Either Party may change the above names and/or addresses used for it after providing ten (10) days notice to the other Party. Notices shall be deemed given upon actual delivery or 7 days following posting. Notices given by facsimile shall be deemed given when sent if transmitted before 5:00 p.m. local time of the addressee, but shall be deemed given on the next day, if so transmitted after 4:30 p.m. local time of the addressee.

**ARTICLE 17: NO THIRD-PARTY BENEFICIARIES**

This Expansion Agreement is for the benefit of the Parties and is not intended to confer any rights or benefits on any third party.

This Expansion Agreement is for the benefit of the Parties and is not intended to confer any rights or benefits on any third party.

#### ARTICLE 18: ENTRY INTO ALLIANCE EXTENSION AGREEMENT

Each Party warrants that it is empowered to enter into this Alliance Expansion Agreement and has taken all necessary corporate action to enable it to do so and is not precluded from entering into this Alliance Expansion Agreement by its constituent documents or any other applicable agreement or instrument.

#### ARTICLE 19: AMENDMENTS

This Expansion Agreement may be modified only by a written instrument duly executed by an authorized officer of each party.

#### ARTICLE 20: COUNTERPARTS

This Expansion Agreement may be executed in one or more counterparts all of which taken together constitute one and the same instrument.

UNITED AIR LINES, INC.

By

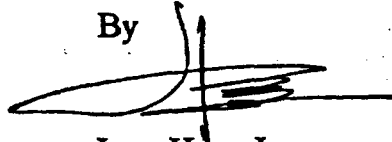
Graham Atkinson

Senior Vice President  
International

Date: C. G. Atkinson

ASIANA AIRLINES, INC.

By



Jong Hang Lee

Senior Vice President  
Marketing Planning, Alliance & Bilateral Affairs

Date: 23 DEC 2002

## **SCHEDULE 1**

### **Definitions**

"Affiliate" means in relation to a Party, any Air Carrier which a Party owns an equity interest of 50% or more, and such other business undertakings as the Alliance Committee may unanimously decide to include in this definition;

"Air Carrier" means (i) any person or entity licensed by a government authority to engage in direct air transportation or (ii) any persons or entities affiliated with such an entity, including, but not limited to a parent, subsidiary, or holding company;

"and/or" means, in relation to two or more items linked by this conjunction, any of the items, or, both or all of the items;

"Approval" means any consent, ruling, approval, authorization, license, confirmation, exemption or waiver required or reasonably considered appropriate by either of the Parties in connection with the conclusion and/or implementation of the OZ/UA Alliance (except one whose absence has no Material adverse effect on the Alliance and the Parties);

"Change of Control" means the occurrence of either of the following events:

- i) the direct or indirect beneficial ownership of 20% or more of the voting stock of OZ or UAL Corporation is acquired or becomes held by an Air Carrier that is not one of the Parties to this Expansion Agreement; or
- ii) the sale, mortgage, lease or other transfer in one or more transactions other than to a Party's Affiliate, not in the ordinary course of business, of assets constituting more than 50% of the assets of a Party other than for the purpose of a bona fide and solvent consolidation, amalgamation or restructuring;

"Code Sharing" means the operation by one Air Carrier of flights on which seats are offered for sale by another Air Carrier using that other Air Carrier's designator code alone or jointly with the operating carrier's designator code;

"Commercial Decision" means an operational or business decision within the Alliance Committee's area or responsibility, as described in Article 3.3;

"Commuter Carrier" means any regional or commuter Air Carrier that is, or subsequent to the Effective Date becomes, contractually entitled to operate flights under the Party's airline designator code, but does not include an Affiliate of that Party;

"Confidential Information" means either of the following:

- (i) confidential or proprietary information or data, in any form, received from and designated as such by the disclosing Party; or
- (ii) this Expansion Agreement or any of the terms or conditions of this Expansion Agreement;

"Cooperative Agreement" means any significant code sharing agreement, alliance agreement, or other agreement between Air Carriers for broad commercial cooperation similar to the cooperation contemplated herein, but not including special prorate agreements;

"Effective Date" means January 1, 2003;

"Expansion Agreement" means the instant agreement including all schedules annexed hereto;

"Frequent Flyer Program" means a program or scheme operated by or for one or more Air Carriers under which passengers may earn awards for free travel and other benefits;

"Implementation Date" has the meaning ascribed to it in Article 5.1.

"Implementation Plan" means the plan for implementing the OZ/UA Alliance as provided in this Expansion Agreement, to be agreed between the Parties pursuant to Article 5.1;

"Implementing Agreement" means an agreement that may be concluded between the Parties after the date of and pursuant to this Expansion Agreement, which agreement is intended to define further the details of and put into effect the OZ/UA Alliance as provided in this Expansion Agreement;

"Initial Term" has the meaning ascribed to it in Article 8.2.

"Insolvency Event" means the occurrence of any of the following events or any analogous event, in relation to a Party, in any part of the world:

- (i) any distress, execution, sequestration or other process being levied or enforced upon or sued out against a Material part of its under-taking, property or assets or any proceeding in bankruptcy having been commenced, any of which is not discharged within 60 days;
- (ii) it being unable to pay its debts generally;

- (iii) it having ceased or threatening to cease wholly or substantially to carry on its business, otherwise than for the purpose of a solvent reconstruction, amalgamation or restructuring;
- (iv) any encumbrancer taking possession of or a receiver, administrator or trustee being appointed over the whole or any Material part of its undertaking, property or assets; or
- (v) an order being made or resolution passed for its winding up, otherwise than for the purpose of a solvent reconstruction or amalgamation, or restructuring;

"Joint Alliance Committee" or "Alliance Committee" means the operational alliance committee established pursuant to Attachment 6 of the 2002 Agreement, referenced in the Agreement as the Joint Alliance Group, and vested with responsibilities as set forth in Article 3.2 of the Expansion Agreement;

"OZ" means Asiana, a corporation organized and existing under the laws of Korea and having its principal executive office at Asiana Town, Kangseo, P.O.Box 98#47, Osae-Dong, Kangseo-Ku Seoul 157-600, Korea; and

"OZ/UA Alliance" or "Alliance" means the alliance formed by the Parties on the basis of and as generally described in Article 2.1;

"Material", when used in relation to a Party (the "Referenced Party"), means such that, in the reasonable opinion of the terminating or enforcing Party (the "Invoking Party"), it does or would:

- (i) prevent the Referenced Party from performing its fundamental obligations under this Alliance Agreement; or
- (ii) substantially deprive the Invoking Party of the benefit of the performance by the Referenced Party of its obligations to the Invoking Party under this Alliance Agreement; or
- (iii) fundamentally and adversely affect the business, prospects, or assets of the OZ/UA Alliance or the Invoking Party

and the expression "Materially" shall be interpreted accordingly;

"Material Default" means a failure by either Party in the performance or observance or any obligation set out in this alliance Agreement or in any implementing Agreement that is Material;



"2002 Agreement" means the Alliance Agreement concluded between the Parties as of January 1, 2003;

"Party" means OZ or UA;

"Subsequent Term" means the two year period commencing on the date the Initial Term concludes;

"UA" means United Air Lines, Inc., a corporation organized and existing under the laws of the state of Delaware and having its principal executive offices at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007, U.S.A;

"UA Express" means those independent U.S. flag domestic carriers operating under the "United Express" service mark and trade name, pursuant to written agreement with UA; and

"United States" means all places in the fifty states comprising the United States; the District of Columbia and any territory, trust territory or possession of the United States, including Puerto, Rico, Guam, American Samoa and the U.S. Virgin Islands.

**ASIANA AIRLINES / UNITED AIRLINES**

**MARKETING COOPERATION AGREEMENT**

**Jan 1, 2003**

This Agreement is made and entered into by and between UNITED AIR LINES, INC., with its principal place of business at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007 (hereinafter "UA") and Asiana Airlines with its principal place of business at Asiana Town, Kangseo P.O. Box 98, #47 Osac-Dong, Kangseo-Ku, Seoul 157-600, Korea (hereinafter "OZ"), each or both parties individually or collectively referred to as "Carrier" or "Carriers" respectively.

**1. INTRODUCTION**

OZ and UA are entering into this Agreement in order to increase each Carrier's opportunities to offer competitive and cost effective air transportation services between points in the United States and Korea and points beyond. Further, OZ and UA wish to improve the quality of the interline air transportation and cargo services they now offer so as to increase the use of those services by the traveling and shipping public. This Agreement establishes binding obligations between the Carriers, expresses the Carriers intentions, and sets forth a framework that provides the basis to accomplish these goals through subsequent agreements and activities.

**2. UNDERLYING OPERATIONAL CONCEPT**

The Carriers shall use a phased approach to develop and implement parallel marketing and operational programs to create new, value added passenger and cargo services and cost efficiencies by taking advantage of each Carrier's inherent market strengths.

**3. OBJECTIVES OF THE OZ/UA RELATIONSHIP**

Through development of the marketing and operational relationship contemplated by this Agreement and the Asiana / United Airlines Code Share and Regulatory Cooperation Agreement, United Contract 160997 subject to any and all necessary governmental approvals, OZ and UA intend to:

- A. Establish and market code share operations between Korea and the United States and points beyond, providing travelers with new and enhanced service options and reduced connection time alternatives to increase use of the Carriers' services by both consumers and the travel trade and air cargo shippers. This Agreement is not intended to restrict either Carrier's rights to pursue, either independently or collectively, additional access between any points through either route acquisition or the normal government-to-government bilateral process
- B. Appoint one headquarters' level designee as the primary contact with the other party to manage and facilitate the processes contemplated by this agreement.

4. **PROGRAMS**

The Carriers shall develop enhanced joint service features, as well as other programs to support the objectives specified in this Agreement. The Attachments to this Agreement outline specific actions and responsibilities for implementing these programs. Each of the programs shall be incorporated into an existing OZ/UA contract or a new contract, as appropriate. In summary, subject to any and all applicable governmental laws, rules and regulations, these programs are:

**A. JOINT SERVICE FEATURES**

(Attachment 1)

(1) **Fully Automated One-Stop Check-In**

Both Carriers shall develop this capability using IATCI, to provide passengers the convenience of checking in at selected UA, UA Express, or OZ airport ticket counters and receiving seat assignments, boarding cards, and Frequent Flyer credit for their OZ / UA flights as appropriate. One stop check-in also includes complete document verification and baggage check to final destination.

(2) **Improved Scheduling**

The Carriers shall review their schedules to maximize, as practicable, convenient connections to or from UA and OZ at all common gateways, including but not limited to U.S. and Korean gateways.

(3) **Inflight Product Coordination**

The Carriers will review, as agreed, the degree of coordination required, including announcements, on code share flights.

(4) **Seamless Transfer**

The Carriers shall use reasonable efforts to expedite the transfer of all passengers and baggage between themselves, as practicable, at all common gateways through development of a shorter than standard connection time, including all reasonable communications necessary to facilitate this objective.

(5) **Air Cargo Service**

The Carriers shall review cargo activities to investigate what opportunities may exist to offer competitive and cost effective air cargo services, freight and mail, between points in the United States and Korea and points beyond. Further, OZ and UA shall use reasonable efforts to work to jointly improve the quality of air cargo transportation to the shipping community.

**B. JOINT PROGRAM ELEMENTS**

(1) **Prorates**

(Attachment 2)

The Carriers intend to offer fares reflecting their connecting services and to agree on an acceptable distribution of interline revenues to stimulate incremental traffic.

(2) **Group Procedures**

(Attachment 2)

Groups shall be booked as they are currently booked.

(3) Frequent Flyer/Communication Plan (Attachment 3)

The Carriers agree to participate in each other's Frequent Flyer programs. This participation shall be exclusive as it relates to UA's participation in the Frequent Flyer program of any other Korean based / Korean flag transportation company and OZ's participation in the Frequent Flyer program of any US based / US flag transportation company.

C. DISTRIBUTION/AUTOMATION (Attachment 4)

(1) Display Improvement

To the extent permitted by applicable law and regulations, UA and OZ shall provide preferential display of their connecting flights in their respective internal reservation systems and direct access displays provided through computerized reservations systems.

(2) Preferential Selling

The Carriers shall implement procedures at their respective reservations sales offices to sell the other Carrier, on a "second to on-line" basis and in lieu of competitive off-line offerings in the agreed code share markets.

D. FUTURE AREAS OF COOPERATION (Attachment 5)

(1) Aircraft Security

The Carriers shall endeavor to agree upon a mutually satisfactory aircraft flight security program.

(2) Ground Handling

The Carriers shall review and implement, as agreed, any opportunities to provide ground handling services to each other.

E. REGULATORY COOPERATION

The Carriers shall work together to seek the underlying governmental and other approvals necessary to implement this marketing relationship.

5. TERM

This Agreement is effective as of January 1, 2003, and will continue thereafter for five (5) years. The Agreement will automatically extend for two years subsequent to any scheduled expiration date unless either party shall notify the other in writing of its desire to terminate this Agreement no later than 90 days prior to such scheduled expiration date, provided, however, that this Agreement may be terminated by either party at that party's election for convenience and, without cause upon one hundred and eighty (180) days' prior written notice. For purposes of this Agreement, the Code Share and Regulatory Cooperation Agreement between the Carriers, United Contract 160997, is considered the Related Agreement. If the Related Agreement terminates or is not implemented for any reason whatsoever, then this Agreement shall automatically terminate contemporaneously therewith.

6. **COMPLIANCE WITH GOVERNMENT REQUIREMENTS**

The Carriers represent and warrant that all services performed by it pursuant to this Agreement or otherwise shall be conducted in full compliance with all applicable federal, state and local laws, statutes, orders, rules and regulations.

7. **EXCLUSIVITY**

This Agreement is non-exclusive and does not preclude either UA or OZ from entering into or maintaining existing marketing relationships, including Code Sharing, with other Carriers. Notwithstanding the preceding sentence, this agreement is exclusive as it relates to OZ's participation in code sharing, the frequent flyer program or the lounge access program of another U.S. flag Carrier and it relates to UA's participation in code sharing, the frequent flyer program or the lounge access program of another Korean flag carrier.

8. **TRADEMARKS**

Neither Carrier shall use any trademark, trade name, logo, or service mark of the other without the prior written consent of the other.

9. **CONFIDENTIALITY**

A. Subject to Articles 9B and 9C, and except in any proceeding to enforce any of the provisions of this Agreement, neither party shall, without the prior written consent of the other, use, publicize or disclose to any third party, either directly or indirectly, any of the following (hereinafter "Confidential Information"):

- (1) this Agreement or any of the terms or conditions of this Agreement; or
- (2) any confidential or proprietary information or data, either oral or written, received from and designated as such by the disclosing Carrier.

B. If either Carrier is served with a subpoena or other legal process requiring the production or disclosure of any Confidential Information, then that Carrier, before complying, shall immediately notify the non-disclosing Carrier and the non-disclosing Carrier shall have a reasonable period of time to intervene and contest disclosure or production to the extent permitted by applicable law.

C. If a governmental authority requests either Carrier to produce or disclose to the authority this Agreement or any of the terms or conditions of this Agreement, such Carrier, at its option and after notifying the other Carrier, may produce or disclose the requested document or information.

D. Upon termination of this Agreement, all Confidential Information, including any copies thereof made by the receiving party, must be returned to the disclosing Carrier.

10. **FORCE MAJEURE**

Neither Carrier shall be liable for delays or failure in performance under this Agreement caused by acts of God, war, strikes, labor disputes, work stoppage, fire, acts of government or any other cause, whether

similar or dissimilar which is beyond the control of that Carrier. If such a force majeure continues for sixty (60) days or longer, the non-delayed Party shall have the right, at its option, to terminate this Agreement by giving the delayed Party at least thirty (30) days' prior written notice.

**11. NATURE OF RELATIONSHIP BETWEEN UA AND OZ**

The relationship of the Carriers hereto is that of independent contractors. Nothing in this Agreement is intended or shall be construed to create or establish any partnership or joint venture relationship between the Carriers.

**12. TERMINATION FOR CAUSE**

- A. If either Carrier (the "Defaulting Party") becomes insolvent or is subject to liquidation, composition, reorganization or bankruptcy, if the other Carrier (the "Insecure Party") has evidence that the Defaulting Party is not paying its bills when due without just cause, and as a result would have a material adverse effect on the transaction contemplated by this Agreement; if the Defaulting Party takes any step leading to its cessation as a going concern; or if the Defaulting Party either ceases or suspends operations for reasons other than a strike, then the Insecure Party may immediately terminate this Agreement on notice to the Defaulting Party unless the Defaulting Party immediately gives adequate assurance of the future performance of this Agreement by establishing an irrevocable letter of credit issued by an international bank acceptable to the Insecure Party, on terms and conditions acceptable to the Insecure Party, in an amount sufficient to cover all amounts potentially due from the Defaulting Party under this Agreement, which may be drawn upon by the Insecure Party if the Defaulting Party does not fulfill its obligations under this Agreement in a timely manner.
- B. If either Carrier (the "Defaulting Party") fails to observe or perform any of its material obligations under this Agreement and if this failure continues for a period of thirty (30) days after written notice to the Defaulting Party thereof (except for any payments due, where the period to cure such non-payment shall be five [5] days after notice) then, without prejudice to any other rights or remedies the other party may have, the other Carrier may terminate this Agreement effective as of the expiration date of this notice period upon written notice.

**13. POST-TERMINATION RIGHTS**

Exercise by either Carrier of its right to terminate under any provision of this Agreement shall not affect or impair its right to enforce its other rights or remedies under this Agreement. All obligations of each Carrier that have accrued before termination or that are of a continuing nature shall survive termination.

**14. NON-WAIVER**

Any previous waiver, forbearance, or course of dealing shall not affect the right of either Carrier to require strict performance of any provision of this Agreement.

**15. GENERAL INDEMNIFICATION**

The Carrier providing goods or services hereunder (the "Providing Carrier") agrees to indemnify and hold harmless the other Carrier (the "Marketing Carrier"), its directors, officers, employees, agents, subcontractors, and affiliates (each an "Indemnitee") from and against any and all liabilities, claims, demands, suits, damages, and losses, including, without limitation, all reasonable attorneys' fees, costs and expenses in connection therewith or incident thereto (including, without limitation, attorneys' fees incurred by the Marketing Carrier in establishing its right to indemnification hereunder) (collectively referred to in this Article as "Claims") of third parties for death or personal injury to any person or persons whomsoever

(including, without limitation, the Providing Carrier's employees, but excluding the Marketing Carrier's employees) and for loss of, damage to, destruction of, any property whatsoever (including, without limitation, any loss of use thereof), in any manner arising out of or in any way connected with goods or services furnished or to be furnished by the Providing Carrier under this Agreement, all whether or not arising in tort or occasioned in whole or in part by the negligence of the Marketing Carrier except the willful misconduct or gross negligence. The Providing Carrier shall, at the request of the Marketing Carrier, negotiate and defend any Claim brought against any Indemnitee or in which any Indemnitee is joined as a party defendant based upon any other matters for which the Providing Carrier has agreed to indemnify each Indemnitee as provided above. The Providing Carrier's obligations under this Article will survive the expiration or termination of this Agreement.

## 16. INSURANCE

- A. (1) UA shall procure and maintain (i) third party liability insurance for a minimum combined single limit (bodily injury/property damage) of U. S. \$1,000,000,000 (one billion U.S. dollars) for each occurrence and (ii) Hull All Risks and Hull War Risks insurance covering its fleet. OZ shall be named as additional insured on UA's policies when UA is acting as the Operating Carrier (the "Operating Carrier"). UA, as Operating Carrier, shall waive their rights of subrogation against OZ. The insurance policies shall be endorsed with severability of interest clauses. UA shall furnish to OZ certificates of insurance evidencing the foregoing coverage prior to the commencement of this Agreement.
- (2) OZ shall procure and maintain (i) third party liability insurance for a minimum combined single limit (bodily injury/property damage) of U. S. \$1,000,000,000 (one billion U.S. dollars) for each occurrence and (ii) Hull All Risks and Hull War Risks insurance covering its fleet. UA shall be named as additional insured on OZ's policies when OZ is acting as the Operating Carrier. OZ, as Operating Carrier, shall waive their rights of subrogation against UA. The insurance policies shall be endorsed with severability of interest clauses. OZ shall furnish to UA certificates of insurance evidencing the foregoing coverage prior to the commencement of this Agreement
- B. OZ and UA shall each procure at its own cost employer's liability insurance and worker's compensation (or equivalent) against the liabilities of each respective Carrier to its employees in an amount not less than required by applicable law.
- C. In the event of cancellation or adverse material change, the additional insured shall be provided not less than thirty (30) days prior written notice except that in the case of Hull War Risks insurance such period of notice shall be seven (7) days or such lesser period as may be available in accordance with the applicable insurance policy requirements.

## 17. EXCLUSION OF CONSEQUENTIAL DAMAGES

*NEITHER CARRIER SHALL BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOST REVENUES, LOST PROFITS, OR LOST PROSPECTIVE ECONOMIC ADVANTAGE, WHETHER OR NOT FORESEEABLE AND WHETHER OR NOT BASED ON CONTRACT, TORT, WARRANTY CLAIMS OR OTHERWISE IN CONNECTION WITH THIS AGREEMENT, AND/OR THE PRODUCTS OR SERVICES PROVIDED HEREUNDER, AND EACH*

*CARRIER HEREBY RELEASES AND WAIVES ANY CLAIMS AGAINST THE OTHER CARRIER REGARDING SUCH DAMAGES.*

**18. NOTICES**

Any notices required under this Agreement shall be sent by first class mail, postage prepaid, or any more expedient written means.

If to OZ, notices shall be addressed as follows:

OZ  
Asiana Airlines, Inc.  
Asiana Town,  
Kangseo P.O. Box 98  
#47 Osae-Dong, Kangseo-Ku  
Seoul, Korea 157-600  
Attn: Senior Vice president – Marketing Planning, Alliance & Bilateral Affairs

If to UA, notices shall be addressed as follows:

United Air Lines, Inc.  
P.O. Box 66100  
Chicago, Illinois 60666  
Attn: Senior Vice President - International

Notices sent via electronic means (e.g., telex, facsimile) shall be effective immediately if received prior to 5:00 p.m. local time of the recipient. All other notices shall be effective the first business day after receipt.

**19. GOVERNING LAW AND JURISDICTION**

This Agreement and any dispute arising under or in connection with this Agreement, including any action in tort, shall be governed and construed by the laws of the State of New York, USA, without regard to any conflict of laws principles, which may direct the application of laws of any other jurisdiction. The courts located within the State of New York, U.S.A., shall have exclusive jurisdiction to settle any dispute arising out of or relating to this Agreement, the Carriers hereby consenting to jurisdiction and venue herein.

**20. SEVERABILITY**

Each provision of this Agreement shall be valid and enforced to the furthest extent permitted by law. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision.

**21. ASSIGNMENT**

Neither Carrier may assign or otherwise transfer any of its rights or obligations under this Agreement to any third party without the prior written consent of the other.



## 22. CHANGE OF CONTROL

A. Should for any reason whatsoever the ownership of either Carrier change such that another air carrier or affiliate of an air carrier acquires a twenty percent (20%) or more ownership interest in either party, then within thirty (30) days of such occurrence either party may request renegotiation of this Agreement and, failing successful renegotiation within sixty (60) days of the request to renegotiate, either party may terminate this Agreement upon thirty (30) days notice to the other party.

B. A "Change of Control" with respect to any party shall be deemed to have occurred if:

- (1) Any Person (for purposes of this section, "Person" shall include two or more Persons acting as a partnership, limited partnership, syndicate or other group, including any group acting for the purpose of acquiring, holding, voting or disposing of securities) becomes the Beneficial Owner, directly or indirectly, of 20% or more of the Voting Shares of such party ("Voting Shares" shall mean shares which are expressly provided in such party's constitutive documents as being voting, which shall include for these purposes, such party's existing voting common shares and any shares into which such voting shares may be converted, exchanged or reclassified) (for purposes of this clause, such Person shall be deemed to beneficially own any capital stock of a corporation held by any other corporation (the "parent corporation") so long as such Person Beneficially Owns, directly or indirectly, in the aggregate a majority of the total Voting Shares of, or otherwise controls, such parent corporation).

The "Beneficial Owner" of a security shall include any Person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares (A) the power to vote, or to direct the voting of, such security; and/or (B) the power to dispose, or to direct the disposition of such security. A Person will also be the Beneficial Owner of all securities that such Person has the right to acquire, whether or not such right is exercisable immediately or only after the passage of time and whether or not such right is subject to any conditions. "Beneficially Owns" has a correlative meaning;

- (2) The direct or indirect sale, transfer, assignment, lease, conveyance or other disposition, of all or substantially all of the assets of such party and its subsidiaries, taken as a whole, shall have occurred, or such party merges, consolidates or amalgamates with or into any other Person or any other Person merges, consolidates or amalgamates with or into such party, or any similar transaction occurs, in any such event pursuant to a transaction in which the outstanding voting stock of such party is reclassified into or exchanged for cash, securities or other property, other than any such transaction where (A) the outstanding voting stock of such party is reclassified into or exchanged for voting stock of the surviving corporation, and (B) the holders of the voting stock of such party immediately prior to such transaction own, directly or indirectly, more than 80% of the voting stock of the surviving corporation immediately after such transaction and in substantially the same proportion as before the transaction, or the execution by such party of an agreement to effect any of the foregoing;
- (3) During any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of such party (together with any new directors, whose election or appointment by such Board or whose nomination for election by the

stockholders of such party was approved by a vote of not less than two-thirds of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office; or

- (4) A Person (or group of Persons) acquires the direct or indirect possession of power to direct or cause the direction of the management policies of a Party, whether through the ownership of voting securities, by contract, as trustee or executor, or otherwise."

**23. ENTIRE AGREEMENT**

This Agreement, and the related Agreement, including any and all Attachments, constitutes the entire agreement and understanding of the Carriers relating to the subject matter hereof, and supersedes all prior agreements, whether oral or written, express or implied, between the Carriers concerning the subject matter hereof. This Agreement may be modified only by further written agreement signed by all of the Carriers hereto. In the event that any terms herein conflict with the terms of any interline or other agreement between the Carriers, then the terms herein shall prevail, but shall not supplant any conflicting terms in the other agreement.

**24. EXISTING OBLIGATIONS**

UA represents and warrants that the terms of this Agreement do not violate any existing obligations or contracts of UA. OZ represents and warrants that the terms of this Agreement do not violate any existing obligations of OZ. Each Carrier shall defend, indemnify and hold the other harmless from and against any and all claims, demands or causes of action, which are hereafter made or brought against it alleging any such violation.

**25. CAPTIONS**

The captions appearing in this Agreement have been inserted as a matter of convenience and in no way define, limit, or enlarge the scope of this Agreement or any of its provisions.

IN WITNESS WHEREOF, the Carriers hereto have by their duly authorized officers executed this Agreement as of the dates set forth below.

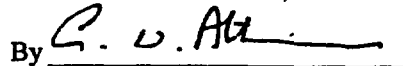
**ASIANA AIRLINES**

By: 

Jong Hang Lee  
Senior Vice President  
Marketing Planning, Alliance & Bilateral Affairs

Date: 27 AUG 02

**UNITED AIR LINES, INC.**

By: 

Graham Atkinson  
Senior Vice President - International

Date: 27 Aug '02

**ATTACHMENT 1**

**JOINT SERVICE FEATURES**

**A. Automated One Stop Check-In**

By the first day of operation of the UA/OZ alliance, both Carriers shall have developed, tested, and implemented fully automated One-Stop Check-In. Services rendered shall include:

- Seat Assignments
- Boarding Cards
- Frequent Flyer Credit
- Baggage Check to final destination with operating carrier and flight number on bag tags.

for up to three segments under each Carrier's designator code, for a maximum of six (6) segments (five connecting points). Segments under the "UA" designator code may include flights operated by UA Express Carriers.

**TO BE IMPLEMENTED ON December 1, 2002 FOR THE CITY PAIRS AS SET FORTH ON ATTACHMENT 1, PARAGRAPH A AND B OF THE CODE SHARE AND REGULATORY COOPERATION AGREEMENT.**

**Action:**

OZ	Hui Hwan Lee	SELXBOZ	
UA	Brett Anderson	DENKAUA	

**B. Improved Connection Scheduling**

- (1) Each Carrier shall complete a review of all practical OZ/UA schedule improvement possibilities at all common gateways.
- (2) Each Carrier shall establish a plan for ongoing, regularly scheduled reviews to optimize future schedule changes by either party.

**TO BE COMPLETED BY December 1, 2002.**

**Action:**

OZ	Hong Jin Choi	SELCIOZ	
UA	Tina Drzal	HDQASUA	

**REDACTED**

C. Inflight Service Coordination

The Carriers shall establish a forum to exchange ideas and suggestions on Inflight Services to help provide consistency for the customer.

**TO BE COMPLETED BY December 1, 2002 FOR IMPLEMENTATION ON January 1, , 2003.**

Action:

OZ Kyung Soo Suh  
UA TBD

SELUDOZ  
HDQSWUA



D. Seamless Transfer Service

The Carriers shall evaluate and develop proactive procedures and identify facilities to be used to ensure expeditious check-in and transfer of passengers and baggage between the respective services at all common gateways. Areas for review and coordination include:

- (1) Support for connecting passengers and baggage
- (2) Information and directional signage to assist customers
- (3) Security procedures as governmentally required

**TO BE COMPLETED FOR IMPLEMENTATION BEGINNING ON December 1, 2002.**

Action:

OZ Tae Won Kwon  
UA James Gabriel

SELTPOZ  
HDQCSUA



E. Air Cargo Service

OZ and UA shall review and implement, as agreed, programs including prorates, booking and inventory capabilities, and joint trade show participation.

**TO BE COMPLETED FOR IMPLEMENTATION BEGINNING ON December 1, 2002.**

Action:

OZ Yoo Seok Won  
UA Marjorie Terlisner

SELCYOZ  
HDQSAUA



**REDACTED**

**ATTACHMENT 2**

**PRORATES AND GROUP PROCEDURES**

**A. Prorates**

On the basis of reciprocity and comity, OZ and UA shall provide broader access to each other's system through the creation of a Special Prorate Agreement to support the overall program and to stimulate incremental traffic from UA to OZ, and OZ to UA.

**TO BE COMPLETED FOR IMPLEMENTATION, AS MUTUALLY AGREED,  
EFFECTIVE December 1, 2002.**

**Action:**

OZ     Sung Hyuk Hong  
UA     Arlene Lubarsky

SELCMOZ  
HDQNCUA



**B. Group Procedures**

Groups shall be booked as they are currently booked.

**TO BE COMPLETED FOR IMPLEMENTATION BEGINNING ON December 1, 2002.**

**Contacts:**

OZ     Hong Jin Choi  
UA     Elizabeth Stanley

SELCIOZ  
HDQIMUA



**REDACTED**

**ATTACHMENT 3**  
**JOINT PROMOTION**

**A. Frequent Flyer Program**

OZ and UA shall implement mutually beneficial programs to enhance OZ/UA passenger loyalty including:

Handling of Frequent Flyer accrual information on OZ and UA flights to provide consistency.

Accrual and redemption levels to be charged by each Carrier for travel by its Frequent Flyer members on code share sectors operated by the other.

**IMPLEMENTATION PLAN, AS APPROPRIATE, TO BE COMPLETED FOR  
IMPLEMENTATION ON January 1, 2003.**

**Action:**

OZ     Seung Hoon Lee  
UA     Jim Davidovich

SELCMOZ  
HDQDXUA



**B. Communication Plan**

Create a joint communication plan to promote, as mutually agreed, the new products and service enhancements to the commercial travel trade and media and employee groups at both Carriers.

**TO BE COMPLETED FOR IMPLEMENTATION BEGINNING December 1, 2002.**

**Action:**

OZ     Jae Hwan Ahn  
UA     TBD

SELCAOZ  
HDQPRUA



**REDACTED**

**ATTACHMENT 4****DISTRIBUTION/AUTOMATION****A. Display Improvement**

To the extent permitted by applicable law and regulations, UA and OZ connections shall receive preference in the Carrier specific display option or direct access programs either UA or OZ has with any other computer reservation systems used by travel agents, corporate accounts, or any non-airline staff for the purpose of making airline reservations, or internal displays.

**TO BE COMPLETED BY December 1, 2002.**

**Action:**

OZ	Hong Jin Choi	SELCIOZ	
UA	George Tyms	HDQIMUA	

**B. Quality Control**

OZ and UA shall each use its best, commercially reasonable efforts to ensure that the other party's flights, connect points, fares, and rules both on-line and between OZ/UA are included in each Carrier's respective host and affiliated CRS system data base and are eligible for display subject to system constraints and applicable laws and regulations.

**TO BE COMPLETED BY December 1, 2002.**

**Action:**

OZ	Hong Jin Choi	SELCIOZ	
UA	George Tyms	HDQIMUA	

**C.****D. Preferential Selling/Reservation Sales**

OZ and UA shall implement programs and incentives to motivate ~~key~~ OZ and UA reservations to reciprocally sell their code share products, on a "second to on-line" basis.

**TO BE COMPLETED FOR IMPLEMENTATION BY December 1, 2002.**

**Action:**

OZ	Sang Woo Huh	SELCIOZ	
UA	Teri Hartwig	HDQRZUA	

**REDACTED**

**ATTACHMENT 5**

**FUTURE AREAS FOR COOPERATION/PRIMARY INTERFACE**

Each Carrier shall evaluate the following areas to assess the benefits, which might accrue from joint cooperation:

- (1) Purchasing of third party services.
- (2) Establishment of regularly scheduled joint product review sessions with key staff.
- (3) Other areas for concentration on cost reductions.

**Action:**

OZ     Min Kyu Kang  
UA     Rolf Meyer

SELCMOZ  
HDQMIUA



**REDACTED**



±1

**ASIANA AIRLINES / UNITED  
CODE SHARE AND REGULATORY  
COOPERATION AGREEMENT**

This Agreement is made and entered into by and between UNITED AIR LINES, INC., with its principal place of business at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007 ("UA") and Asiana Airlines, with its principal place of business at Asiana Town Kangseo P.O. Box 98, #47 Osae-Dong, Kangseo-Ku, Seoul 157-600, Korea ("OZ"), each or both parties individually or collectively referred to as "Carrier" or "Carriers" respectively.

**1. INTRODUCTION**

OZ and UA are entering into this Agreement in order to increase each Carrier's opportunities to offer competitive and cost effective air transportation services between points in and beyond the United States and Korea. Further, OZ and UA wish to improve the quality of the interline air transportation and cargo services they now offer so as to increase the use of those services by the traveling and shipping public. This Agreement establishes binding obligations between the Carriers, expresses the Carriers intentions, and sets forth a framework that provides the basis to accomplish these goals through subsequent agreements and activities.

**2. UNDERLYING OPERATIONAL CONCEPT**

The Carriers will use a phased approach to develop and implement parallel marketing and operational programs to create new, value added passenger and cargo services and cost efficiencies by taking advantage of each Carrier's inherent market strengths.

**3. OBJECTIVES OF THE OZ/UA RELATIONSHIP**

Through development of the operational relationship contemplated by this Agreement, subject to any and all necessary governmental and regulatory approvals, OZ and UA intend to implement Code Share operations as defined in Article 4A and further described in Attachment 1, Sections A and B.

This Agreement is not intended to restrict either Carrier's rights to pursue, either independently or collectively, additional access between any points through either route acquisition or the normal government-to-government bilateral process.

**4. PROGRAMS**

The Carriers will develop and implement specific programs to support the objectives defined by this Agreement. The Attachments to this Agreement outline specific actions and responsibilities for implementing these programs. Each of the programs may be incorporated into an existing OZ/UA contract or a new contract, as appropriate. In summary, subject to any and all applicable governmental laws, rules and regulations, these programs are:

**A. CODE SHARE**

The Carriers intend to develop, in a phased approach, operations which include using each other's two-letter airline designator code on the following routes, as further specified in Attachments 1 and 1A ("Code Share"):

- From points within the U.S., via the U.S., and intermediate points to a point or points in and beyond Korea.

**B. CODE SHARE EMERGENCY PROCEDURES**

In the event of an incident involving a Code Share flight, both Carriers agree to implement the emergency procedures specified in Attachment 2.

**C. REGULATORY COOPERATION**

The Carriers will work together to secure the underlying governmental and other approvals necessary to implement this marketing relationship.

**D. PUBLISHED FARES**

The carriers agree to participate in each other's published fares.

**E. PRORATES**

On the basis of reciprocity and comity, OZ and UA will provide broader access to each other's system through the creation of a Special Prorate Agreement to support the overall program and to stimulate incremental traffic from OZ to UA, and UA to OZ. This will include special reciprocal protection for OZ or UA passengers on delayed, canceled or oversold flights.

**F. FREQUENT FLYER**

The Carriers agree to participate in each other's frequent flyer programs. This participation will be exclusive as it relates to UA's participation in the Frequent Flyer program of any other Korean based transportation company and OZ's participation in the frequent flyer program of any U.S. based transportation company.

**G. PREFERENTIAL SELLING**

The Carriers will implement procedures at their respective reservations sales offices to sell the other Carrier, on a "second to on-line" basis and in lieu of competitive off-line offerings in the agreed Code Share markets.

**H. SALES**

With regard to Inventory Management for Code Share flights the Carriers acknowledge and agree that this Agreement does not provide for guaranteed block space reservations. Each Carrier shall perform these procedures in a fully automated manner.

**I. CARGO**

The Carriers shall review cargo activities to investigate what opportunities may exist to offer competitive and cost effective air cargo services, freight and mail, between points in the United States and Korea and points beyond. Further, OZ and UA shall use reasonable efforts to work to jointly improve the quality of air cargo transportation to the shipping community.

**5. TERM**

This Agreement is effective as of January 1, 2003, and will continue thereafter for five (5) years. The Agreement will automatically extend for two years subsequent to any scheduled expiration date unless either party shall notify the other in writing of its desire to terminate this Agreement no later than 90 days prior to such scheduled expiration date, provided, however, that this Agreement may be terminated by either party at that party's election for convenience and, without cause upon one hundred and eighty (180) days' prior written notice.

6. **COMPLIANCE WITH GOVERNMENT AND SAFETY REQUIREMENTS**

- A. The Carriers represent and warrant that all air transportation services performed by it pursuant to this Agreement or otherwise will be conducted in full compliance with all applicable federal, state and local laws, statutes, orders, rules; and regulations.
- B. The Carrier that originates the customer travel (provides all boarding passes and checks the customer luggage to his final destination) will assure that the customer is properly documented for entry into the destination country and properly documented for any transit points enroute. Any fines, penalties, deportation and detention expenses resulting from violations of government entry or transit requirements, even for passengers that willfully engage in illegal entry tactics, shall be the sole responsibility of the Carrier that originates the customer travel and such Carrier shall be considered an Operating Carrier pursuant to Article 15, and shall indemnify the other Carrier.
- C. OZ represents and warrants that it has successfully undergone a safety audit satisfactory to UA prior OZ's execution of this Agreement and further warrants that it shall maintain compliance with the requirements of such audit. Any failure to maintain compliance shall immediately be brought to UA's attention along with corrective actions taken or a corrective action plan. Notwithstanding anything herein to the contrary, any non-compliance shall be grounds for immediate partial or full suspension or termination of this Agreement by UA without further liability to UA, but with reservation of all other rights and remedies available to UA. Additional safety review audits may be required at UA's discretion and OZ shall cooperate with all such audits.

7. **EXCLUSIVITY**

This Agreement is non-exclusive and does not preclude either UA or OZ from entering into or maintaining existing marketing relationships, including Code Sharing, with other Carriers. Notwithstanding the preceding sentence, this agreement is exclusive as it relates to OZ's participation in code sharing, the frequent flyer program or the lounge access program of another U.S. flag Carrier and it relates to UA's participation in code sharing, the frequent flyer program or the lounge access program of another Korean flag Carrier.

8. **TRADEMARKS**

Neither Carrier will use any trademark, trade name, logo, or service mark of the other without the prior written consent of the other.

9. **CONFIDENTIALITY**

- A. Subject to Articles 9B and 9C, and except in any proceeding to enforce any of the provisions of this Agreement, neither party will, without the prior written consent of the other, use, publicize or disclose to any third party, either directly or indirectly, any of the following (hereinafter "Confidential Information"):
  - (1) this Agreement or any of the terms or conditions of this Agreement; or
  - (2) any confidential or proprietary information or data, either oral or written, received from and designated as such by the disclosing Carrier.
- B. If either Carrier is served with a subpoena or other legal process requiring the production or disclosure of any Confidential Information, then that Carrier, before complying, will immediately notify the non-disclosing Carrier and the non-disclosing Carrier shall have a reasonable period of time to intervene and contest disclosure or production to the extent permitted by applicable law.

- C. If a governmental authority requests either Carrier to produce or disclose to the authority this Agreement or any of the terms or conditions of this Agreement, such Carrier, at its option and after notifying the other Carrier, may produce or disclose the requested document or information.
- D. Upon termination of this Agreement, all Confidential Information, including any copies thereof made by the receiving party, must be returned to the disclosing Carrier.

10. **FORCE MAJEURE**

Neither Carrier will be liable for delays or failure in performance under this Agreement caused by acts of God, war, strikes, labor disputes, work stoppage, fire, acts of government or any other cause, whether similar or dissimilar, which is beyond the control of that Carrier. If such a force majeure continues for or longer, the non-delayed Party shall have the right, at its option, to terminate this Agreement by giving the delayed Party at least prior written notice.

11. **NATURE OF RELATIONSHIP BETWEEN OZ AND UA**

The relationship of the Carriers hereto is that of independent contractors. Nothing in this Agreement is intended or shall be construed to create or establish any partnership or joint venture relationship between the Carriers.

12. **TERMINATION FOR CAUSE**

- A. If either Carrier (the "Defaulting Party") becomes insolvent or is subject to liquidation, composition with creditors, reorganization or bankruptcy; if the other Carrier (the "Insecure Party") has evidence that the Defaulting Party is not paying its bills when due without just cause, and as a result would have a material adverse effect on the transaction contemplated by this Agreement; if the Defaulting Party takes any step leading to its cessation as a going concern; or if the Defaulting Party either ceases or suspends operations for reasons other than a strike, then the Insecure Party may immediately terminate this Agreement on notice to the Defaulting Party unless the Defaulting Party immediately gives adequate assurance of the future performance of this Agreement by establishing an irrevocable letter of credit issued by a bank acceptable to the Insecure Party, on terms and conditions acceptable to the Insecure Party, in an amount sufficient to cover all amounts potentially due from the Defaulting Party under this Agreement, which may be drawn upon by the Insecure Party if the Defaulting Party does not fulfill its obligations under this Agreement in a timely manner.
- B. If either Carrier (the "Defaulting Party") fails to observe or perform any of its material obligations under this Agreement and if this failure continues for a period of after written notice to the Defaulting Party thereof (except for any payments due, where the period to cure such non-payment will be after notice) then, without prejudice to any other rights or remedies the other party may have, the other Carrier may terminate this Agreement as of the expiration date of this notice period upon written notice.

13. **POST-TERMINATION RIGHTS**

Exercise by either Carrier of its right to terminate under any provision of this Agreement will not affect or impair its right to enforce its other rights or remedies under this Agreement. All obligations of each Carrier that have accrued before termination or that are of a continuing nature will survive termination, including, without limitation, any confidentiality and indemnity provisions.

14. **NON-WAIVER**

Any previous waiver, forbearance, or course of dealing will not affect the right of either Carrier to require strict performance of any provision of this Agreement.

15. GENERAL INDEMNIFICATION

The Carrier operating the Code Share flight or providing goods or services hereunder (the "Operating Carrier") agrees to indemnify and hold harmless the other Carrier (the "Marketing Carrier"), its directors, officers, employees, agents, subcontractors, and affiliates (each an "Indemnitee") from and against any and all liabilities, claims, demands, suits, damages, and losses, including, without limitation, all reasonable attorneys' fees, costs and expenses in connection therewith or incident thereto (including, without limitation, attorneys' fees incurred by the Marketing Carrier in establishing its right to indemnification hereunder) (collectively referred to in this Article as "Claims") of third parties for death or personal injury to any person or persons whomsoever (including, without limitation, the Operating Carrier's employees, but excluding the Marketing Carrier's employees) and for loss of, damage to, destruction of, any property whatsoever (including, without limitation, any loss of use thereof), in any manner arising out of or in any way connected with goods or services furnished or to be furnished by the Operating Carrier under this Agreement, all whether or not arising in tort or occasioned in whole or in part by the negligence of the Marketing Carrier except the willful misconduct or gross negligence. The Operating Carrier shall, at the request of the Marketing Carrier, negotiate and defend any Claim brought against any Indemnitee or in which any Indemnitee is joined as a party defendant based upon any other matters for which the Operating Carrier has agreed to indemnify each Indemnitee as provided above. The Operating Carrier's obligations under this Article will survive the expiration or termination of this Agreement.

16. INSURANCE

A. (1) UA shall procure and maintain (i) third party liability insurance, including war risks perils for a minimum combined single limit (bodily injury/property damage) of U. S. \$1,000,000,000 (one billion U.S. dollars) for each occurrence and (ii) Hull All Risks and Hull War Risks insurance covering its fleet. OZ shall be named as additional insured on UA's policies when UA is acting as the Operating Carrier (the "Operating Carrier"). UA, as Operating Carrier, shall waive their rights of subrogation against OZ. The insurance policies shall be endorsed with severability of interest clauses. UA shall furnish to OZ certificates of insurance evidencing the foregoing coverage prior to the commencement of this Agreement.

(2) OZ shall procure and maintain (i) third party liability insurance, including war risks perils for a minimum combined single limit (bodily injury/property damage) of U. S. \$1,000,000,000 (one billion U.S. dollars) for each occurrence and (ii) Hull All Risks and Hull War Risks insurance covering its fleet. UA shall be named as additional insured on OZ's policies when OZ is acting as the Operating Carrier. OZ, as Operating Carrier, shall waive their rights of subrogation against UA. The insurance policies shall be endorsed with severability of interest clauses. OZ shall furnish to UA certificates of insurance evidencing the foregoing coverage prior to the commencement of this Agreement.

B. OZ and UA shall each procure at its own cost employer's liability insurance and worker's compensation (or equivalent) against the liabilities of each respective Carrier to its employees in an amount not less than required by applicable law.

C. In the event of cancellation or adverse material change, the additional insured shall be provided not less than thirty (30) days prior written notice except that in the case of Hull War Risks insurance such period of notice shall be seven (7) days or such lesser period as may be available in accordance with the applicable insurance policy requirements.

17. **EXCLUSION OF CONSEQUENTIAL DAMAGES**

Neither carrier will be liable for any indirect, special, incidental or consequential damages, including lost revenues, lost profits, or lost prospective economic advantage, whether or not foreseeable and whether or not based on contract, tort, warranty claims or otherwise in connection with this agreement, and/or the products or services provided hereunder, and each carrier hereby releases and waives any claims against the other carrier regarding such damages.

18. **NOTICES**

Any notices required under this Agreement will be sent by first class mail, postage prepaid, or any more expedient written means.

If to OZ, notices will be addressed as follows:

Asiana Airlines, Inc.  
Asiana Town,  
Kangseo P.O. Box 98  
#47 Osae-Dong, Kangseo-Ku  
Seoul, Korea 157-600  
Attn: Senior Vice president - Marketing Planning, Alliance & Bilateral Affairs

If to UA, notices will be addressed as follows:

United Air Lines, Inc.  
P.O. Box 66100  
Chicago, Illinois 60666  
Attn: Senior Vice President - International

Notices sent via electronic means (e.g., telex, facsimile) will be effective immediately if received prior to 5:00 p.m. local time of the recipient. All other notices will be effective the first business day after receipt.

19. **GOVERNING LAW AND JURISDICTION**

This Agreement and any dispute arising under or in connection with this Agreement, including any action in tort, will be governed and construed by the laws of the State of New York, U.S.A., without regard to any conflict of laws principles, which may direct the application of laws of any other jurisdiction. The courts located within the State of New York, U.S.A., shall have exclusive jurisdiction to settle any dispute arising out of or relating to this Agreement, the Carriers hereby consenting to jurisdiction and venue herein.

20. **SEVERABILITY**

Each provision of this Agreement shall be valid and enforced to the furthest extent permitted by law. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision.

21. **ASSIGNMENT AND CHANGE OF OWNERSHIP**

A. Neither Carrier may assign or otherwise transfer any of its rights or obligations under this Agreement to any third party without the prior written consent of the other.

- B. Should for any reason whatsoever the ownership of either Carrier change such that another air carrier or affiliate of an air carrier acquires a twenty percent (20%) or more ownership interest in either party, then within thirty (30) days of such occurrence either party may request renegotiation of this Agreement and, failing successful renegotiation within sixty (60) days of the request to renegotiate, either party may terminate this Agreement upon thirty (30) days notice to the other party.

22. **ENTIRE AGREEMENT**

This Agreement, including any and all Attachments, constitutes the entire agreement and understanding of the Carriers relating to the subject matter hereof, and supersedes all prior agreements, whether oral or written, express or implied, between the Carriers concerning the subject matter hereof. In the event that any terms herein conflict with the terms of any interline or other agreement between the Carriers, then the terms herein shall prevail, but shall not supplant any conflicting terms in the other agreement. This Agreement may be modified only by further written agreement signed by all of the Carriers hereto.

23. **EXISTING OBLIGATIONS**

UA represents and warrants that the terms of this Agreement do not violate any existing obligations or contracts of UA. OZ represents and warrants that the terms of this Agreement do not violate any existing obligations of OZ. Each Carrier shall defend, indemnify and hold the other harmless from and against any and all claims, demands or causes of action, which are hereafter made or brought against it alleging any such violation.

24. **NON-ENGLISH VERSION**

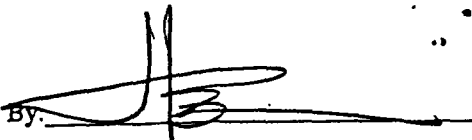
If any non-English interpretive versions of this Agreement are created, then, in the event of a conflict between this English version and any non-English version, this English version will control.

25. **CAPTIONS**

The captions appearing in this Agreement have been inserted as a matter of convenience and in no way define, limit, or enlarge the scope of this Agreement or any of its provisions.

IN WITNESS WHEREOF, the Carriers hereto have by their duly authorized officers executed this Agreement as of the dates set forth below.

ASIANA AIRLINES

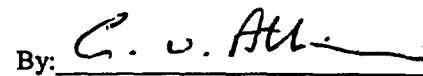
By: 

Jong Hang Lee

Senior Vice President,  
Marketing Planning, Alliance & Bilateral Affairs

Date: 27 AUG 2002

UNITED AIR LINES, INC.

By: 

Graham Atkinson

Senior Vice President - International

Date: 27 AUG '02

## ATTACHMENT 1

### CODE SHARING

#### A. City pairs displayed as OZ\*

Subject to all necessary regulatory approvals, deployment of IATCI One Stop Check-In, and completion of necessary operational support arrangements, OZ shall display its OZ designation code on selected flights, operated by UA:

##### UA Operated Flights Between and Beyond

U.S. and Korea points  
Korea and points beyond Korea  
U.S. and points beyond the U.S.

Specific markets to be implemented with the effective date of this agreement include the following:

##### 1) Transpacific

ICN-(NRT)-HNL/SFO/ORD for through traffic originating in Korea or U.S.

##### 2) U.S. Domestic

SEA-DEN/ORD/SFO/LAX  
LAX-DEN/LAS/SAN/PDX/DFW/ORD/IAD/EWR/BOS/MIA/SEA/SFO (1330 DEP)  
LAX-DEN/LAS/SAN/PDX/ORD/EWR/SEA/SFO (0020 DEP)  
SFO-DEN/LAS/SAN/PDX/ORD

#### B. City pairs displayed as UA\*

Subject to all necessary regulatory approvals, deployment of IATCI One Stop Check-In, and completion of necessary operational support arrangements, UA shall display its UA designation code on selected flights, operated by OZ:

##### OZ Operated Flights Between and Beyond

• U.S. and Korea points  
• Korea and points beyond Korea  
U.S. and points beyond the U.S.

Specific markets to be implemented with the effective date of this agreement include the following:

##### 1) Transpacific

ICN-SEA/SFO/LAX/NYC  
ICN (KIX) – SFO for through traffic originating in Korea or U.S.

##### 2) Korea Domestic

ICN-PUS



OPEN FOR SALE DATE WILL BE December 1, 2002 WITH FIRST DAY OF OPERATION ON January 1, 2003. (OPEN FOR SALE DATE WILL BE DETERMINED SUBJECT TO REGULATORY APPROVALS).

The city pairs listed in Sections A and B will be handled on an automated free-sale basis by the Carriers as outlined in Attachment 1A.

**Action:**

OZ Min Kyu Kang  
UA Rolf Meyer

SELCMOZ  
HDQMIUA

**C. Inventory Management**

The Carriers shall establish mutually agreed inventory management procedures for Code Share flights, in accordance with the guidelines outlined in Article 4 of this agreement ("Programs").

**TO BE COMPLETED BY December 1, 2002**

**Action:**

OZ Hong Jin Choi  
UA Elisabeth Stanley

SELCIOZ  
HDQIMUA

**D. Code Share Schedule Operations**

The Carriers will:

- (1) establish a dedicated flight number range for use by OZ and UA for use on Code Share flights.
- (2) establish an automated transfer of flight schedule information via an industry standard SSIM which includes comment 10 and 50 records to identify the Code Share relationships. A "custom SSIM" from OZ will be used in place of the OAG file to maintain OZ's schedule in the Apollo and Galileo computer reservation systems. A "custom SSIM" from UA will be used in place of the OAG file to maintain UA's schedule in the Artis computer reservation systems.
- (3) establish a communications procedure to advise the other of passenger reaccommodation plans in the event of schedule changes involving a Code Share flight.

**TO BE COMPLETED BY December 1, 2002.**

**Action:**

OZ Eun Young Kim  
UA Tina Drzal

SELXBOZ  
HDQASA

**E. Interline Accounting**

The Carriers shall establish all necessary accounting procedures, in accordance with applicable IATA or ACH guidelines, including sampling methodology, to facilitate settlement of all UA/OZ interline transportation, including code share.

**TO BE COMPLETED BY December 1, 2002**

**Action:**

OZ     Sung Shil Hong  
UA     Bob Portschy

SELARoz  
HDQANUA

**REDACTED**

## ATTACHMENT 1A

### BUSINESS REQUIREMENTS CODE SHARE

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## 1.0 OVERVIEW

The purpose of this Attachment 1A is to provide a method that will allow OZ's code to be reflected on certain UA flights and UA's code to be reflected on certain OZ flights. Each Carrier shall perform these procedures in a fully automated manner.

## 2.0 REQUIREMENTS

### General Requirement

Support code share for the city pairs as set forth on Attachment 1, paragraph A.

### 2.1 Availability

The Carrier shall provide the capability to display the service as an on-line connection using the designated Carrier's code (UA or OZ).

### 2.2 Booking/Ticketing/CRS Fees

#### 2.2.1 Sell

The Carriers shall provide support for segment sell of the on-line connection by line number from availability.

The Carriers shall provide support for the manual sell of the connection using either the code share flight number or the base flight number.

The Carriers shall provide for any fees associated with either ticket handling fees or CRS fees related to transportation of a passenger to be paid, by segment, by the Operating Carrier. OZ and UA will establish a process to ensure that all such fees are appropriately accounted for. The Operating Carrier will be responsible for CRS fees at the level of participation of the Marketing Carrier.

In this connection, the Marketing Carrier will be obligated to provide the Operating Carrier only the CRS vendor's invoice and the CRS vendor's generated microfiche or hard copy of bookings for flights of Operating Carrier, and the Operating Carrier must reimburse the Marketing Carrier based upon the data reflected in those documents without adjustment.

#### 2.2.2 Disclaimer

The Carriers shall provide for a disclaimer to accompany a sell of a shared-code flight identifying the Carrier operating the flight. The disclaimer must be distributed to CRS's and to schedule dissemination services such as the Official Airline Guide (OAG).

### 2.2.3 Group Handling

Groups will be booked as they are currently booked.

### 2.2.4 Teletype (TTY)

Teletype processing will be handled for UA or OZ designated flights as it is currently handled today.

The information will be updated within the PNR of the respective system automatically and will be passed with the PNR on the exchange of PNRs.

### 2.2.5 Customer Inquiries

Procedures will be established through the reservations groups to be able to identify where a PNR exists and be able to direct the customer appropriately.

## 2.3 Inventory Maintenance

### 2.3.1 Inventory Control

The designated Carrier will create a pseudo flight with the appropriate inventory. The yield management groups of both Carriers will agree on the following:

- Class of service and class of service equivalency

### 2.3.2 Link Sells

Allow a shared-code flight to be sold from an availability display provided to another Carrier.

### 2.3.3 Waitlist

Waitlists will be open at start up of the Code Share arrangement.

## 2.4 Through Check In

Provide the capability to through-check customers via the use of IATCI standards.

## 2.5 Schedule Maintenance

### 2.5.1 Schedule Dissemination

Each Carrier will establish an automated transfer of flight schedule information via an industry standard SSIM which includes comment 10 and 50 records to identify the Code Share relationships. A "custom SSIM" from OZ will be used in place of the OAG file to maintain OZ's schedule in the Apollo and Galileo computer reservation systems.

### 2.5.2 Passenger Reaccommodation

Reaccommodations will be worked through close coordination between the reservations groups of the two Carriers.

**2.5.3 Flight Information**

OZ and UA will evaluate procedures for exchanging and updating FLIFO information in each other's systems. Procedures and responsibility will be determined and mutually agreed by the Carriers.

**2.6 Accounting Systems**

Each Carrier shall establish accounting procedures in accordance with Attachment 1 paragraph E. Any special prorates must be communicated to accounting to ensure proper billing

**2.7 Frequent Flyer**

Procedures for providing automated accrual and redemption will be established by respective Frequent Flyer organizations.

**2.8 Hardware**

Each Carrier will provide and pay for installation and maintenance of computer equipment necessary for the other to support Code Share operations. This equipment may include, but is not limited to check-in terminals, boarding pass printers and bag tag printers. The Carrier supplying said equipment will pay any monthly charges associated with such equipment.

Upon termination of Code Share operations, for any reason, the Carriers will return any equipment owned by the other party.

## ATTACHMENT 2

### CODE SHARE EMERGENCY PROCEDURES

In order to properly prepare and plan coordinated communications efforts between the Carriers in the event of an emergency, as defined below, involving a Code Share flight, both Carriers will (i) exchange and update the appropriate telephone numbers and SITA addresses of the operating Carrier to which the code sharing Carrier may refer customer/relative inquiries in the event of an emergency and (ii) discuss any other necessary coordinated emergency response procedures. Although each situation must be evaluated on its own merit, common sense must prevail as a guide for all parties to follow.

#### Definitions:

##### **-Emergency**

Any occurrence involving a Code Share flight that results in injury or death, or has the potential for injury or death to any person or the loss or damage or the potential for loss or damage to private, public, or Carrier property.

##### **-Aircraft Accident**

Any occurrence associated with the operation of an aircraft, which takes place between the time the captain has released the parking brake for pushback or taxi and has set the parking brake and all checklists are completed, in which any person who has boarded the aircraft with the intention of flight suffers death or serious injury or in which an aircraft receives substantial damage.

##### **-Hijacking (Air Piracy)**

Any seizure or exercise of control by force or violence, or threat of violence, and with wrongful intent of an aircraft in air commerce.

##### **-Red Alert**

The classification for a situation where a major problem exists that may result in an accident as defined above. Examples include a landing gear failure to extend, fire in flight, or other aircraft damage that will likely require outside agencies such as police, fire, ambulances, and physicians to respond.

Both Carriers agree to comply with the relevant requirements of government agencies having jurisdiction in respect of an Emergency, Aircraft Accident, Hijacking or Red Alert.

Appropriate UAL telephone numbers in the event of an emergency as described above:

UAL Shift Manager (24 Hours)

(Phone)  
(FAX)  
(SITA Address)

Appropriate OZ telephone numbers in the event of an emergency as described above:

AAR Shift Manager (24Hours)

(Phone)  
(FAX)  
(SITA Address)

Any change to the above referenced phone numbers or contacts is to be communicated to the above referenced SITA addresses with a request for a confirming telex back to the originator to acknowledge receipt.

REDACTED

**B. EMERGENCY PLAN**

- (1) The Carriers mutually agree to subscribe to the IATA Standards and Recommended Practices for the Assistance of Survivors and Families of Passengers in the Aftermath of an Aircraft Accident or Incident.
- (2) In addition to the aforementioned procedures, the Carriers will meet and endeavor to mutually agree on a detailed emergency plan.

**TO BE COMPLETED BY Dec 31, 2002**

**Action:**

OZ      Hyoung il Jeon  
UA      Lois Danvir

SELOPOZ  
HDQCSUA

**REDACTED**



UNITED/ASIANA CODE SHARE SERVICES  
(Effective January 1, 2003)

United Operated/Asiana Marketed (UA/OZ\*)

Seoul-Honolulu (via Tokyo)\*  
Seoul-San Francisco (via Tokyo)\*  
Seoul-Chicago (via Tokyo)\*  
Osaka-San Francisco\*  
Seattle-Denver  
Seattle-Chicago  
Seattle-San Francisco  
Seattle-Los Angeles  
Los Angeles-Denver  
Los Angeles-Las Vegas  
Los Angeles-San Diego  
Los Angeles-Portland (OR)  
Los Angeles-Dallas/Ft. Worth  
Los Angeles-Chicago  
Los Angeles-Washington/Baltimore  
Los Angeles-New York/Newark  
Los Angeles-Boston  
Los Angeles-Miami  
Los Angeles-San Francisco  
San Francisco-Denver  
San Francisco-Las Vegas  
San Francisco-San Diego  
San Francisco-Portland (OR)  
San Francisco-Chicago

\* These services will operate to/from points in Japan as blind sector under the OZ\* code.

Asiana Operated/United Marketed (OZ/UA\*)

Seoul-Seattle  
Seoul-San Francisco  
Seoul-Los Angeles  
Seoul-New York/Newark  
Seoul-Pusan  
Seoul-Osaka\*\*

\*\* Only connecting traffic to/from the U.S. will be carried under the UA\* code.

Exhibit JA-4

OZ/UA

UNITED CONTRACT No. 158289

**INTERNATIONAL PASSENGER  
PRORATE AGREEMENT**

AGREEMENT, effective the 1st day of December 2002 by and between UNITED AIR LINES, INC., a Delaware corporation with offices at 1200 E. Algonquin Road, Elk Grove Township, Illinois ("United"), and Asiana Airlines, an airline of the Republic of Korea with offices at Asiana Town, Kangseo, P.O. Box 98, #47, Osac-Dong, Kangseo-Ku, Seoul, 157-600 Republic of Korea (hereinafter designated as "Asiana Airlines").

1. **Introduction:** United and Asiana Airlines each provide air transportation services to the public. When passengers traveling on a single itinerary are carried part way by United and part way by Asiana Airlines, and both United and Asiana Airlines participate in the fare paid (hereafter "Interline Travel"), United and Asiana Airlines will prorate the transportation charge for such Interline Travel in accordance with applicable published tariffs and procedures and the terms and conditions of this Agreement.
2. **Interline Coupons:** This Agreement governs only those passenger flight coupons that are both:
  - (i) issued on the ticket stock of the validating carrier being either United or Asiana Airlines, and
  - (ii) regular "good for passage" flight coupons billed pursuant to the terms and conditions of the Revenue Accounting Manual.Such flight coupons are hereafter referred to as "Interline Coupons." The fare shown on each Interline Coupon is hereafter referred to as "Interline Revenue."
3. **Proration of Interline Revenue:** United and Asiana Airlines will prorate the Interline Revenue from those routes or segments specified in Attachments A-E. Revenue from Interline Travel involving other air carriers, routes, or segments not specified on Attachments A-E will be prorated in accordance with the provisions of the prorate agreement applicable thereto, if any, or else with the provisions of the Multilateral Prorate Agreement ("MPA").

Tickets issued by either party for travel on another air carrier over a segment specified in Attachments A-E, and subsequently lifted by the other party hereto, will be prorated. Rates are those prevailing on date of ticket issuance. Applicable Discounts: children, infant and seaman's unless stated otherwise in the Attachments A-E to this agreement.
4. **Settlement:** Interline Coupons will be collected by United and Asiana Airlines and presented for payment through the IATA Clearing House. Accounting settlement and payment of Interline Revenue will be in accordance with the applicable procedures of the IATA Clearing House, including adjustments for applicable interline service charges and LATP contractor discount.
5. **Term:** This Agreement applies to Interline Coupons issued on or after December 1, 2002 and on or before - November 30, 2003. This Agreement may be terminated by either party at any time for convenience upon 30 days prior written notice to the other party. Unless otherwise specified in Attachments A-E, this Agreement governs Interline Coupons issued prior to expiration or earlier termination thereof.
6. **Force Majeure/Delay:** Neither party will be responsible for delays in performance caused by acts of God or governmental authority, civil disorder or unrest, strikes or labor disputes, or any other cause beyond the reasonable control of that party.

**REDACTED**

OZ/UA

UNITED CONTRACT No. 158289

REV. 5/99

7. Indemnification: Each party (the "Indemnitor") will indemnify the other party, its officers, employees, and agents (collectively "Indemnitee(s)") against and hold each Indemnitee harmless from all claims, suits, judgments, losses, damages, or costs (including reasonable attorneys' fees and expenses) incurred by any Indemnitee as a result of claims by third parties regarding: (a) injury to or death of any person or damage to or destruction of any property resulting from the negligence of the Indemnitor or its officers, employees, or agents in performing under this Agreement, except to the extent caused by the negligence of any Indemnitee; or (b) the violation by the Indemnitor of any local, state, or federal law, order, regulation, or rule applicable to this Agreement or to the parties' performance hereunder.
8. Termination:
  - A. If either party (the "Defaulting Party") fails to perform any of its duties or obligations under this Agreement, and that failure continues for ten days after written notice of such default from the other party, then this Agreement will terminate as of the expiration date of such notice period, without prejudice to any other rights or remedies the other party may have.
  - B. If either party (the "Defaulting Party") becomes insolvent; if the other party (the "Insecure Party") has evidence that the Defaulting Party is not paying its bills when due without just cause; if a receiver of the Defaulting Party's assets is appointed; if the Defaulting Party takes any step leading to its cessation as a going concern; or if the Defaulting Party either ceases or suspends operations for reasons other than a strike, then the Insecure Party may immediately terminate this Agreement on written notice to the Defaulting Party unless the Defaulting Party immediately gives adequate assurance, satisfactory to the Insecure Party, of the future performance of this Agreement. If bankruptcy proceedings are commenced with respect to the Defaulting Party and if this Agreement has not otherwise terminated, then the Insecure Party may suspend all further performance of this Agreement until the Defaulting Party assumes or rejects this Agreement pursuant to §365 of the Bankruptcy Code or any similar or successor provision. Any such suspension of further performance by the Insecure Party pending the Defaulting Party's assumption or rejection will not be a breach of this Agreement and will not affect the Insecure Party's right to pursue or enforce any of its rights under this Agreement or otherwise.
  - C. If any material provision of this Agreement is declared invalid by operation of law, this Agreement will terminate ten days thereafter unless otherwise agreed in writing by the parties.
9. Waiver: No waiver by either party of any default or breach by the other party of any provision of this Agreement will operate as or be deemed a waiver of any subsequent default or breach.
10. Confidential Information: Except in any proceeding to enforce the provisions of this Agreement, neither Party will disclose to any third party the financial terms of this Agreement, the terms contained in Attachments A-E, or any other confidential information of the other party, including orders, forecasts, financial or marketing plans or data, or any data processing programs or procedures.
11. Assignment: If either party is merged with or acquired by another entity, the other party may terminate this Agreement without further notice. This Agreement may not be assigned or transferred in whole or in part, and any such assignment will be void and of no effect.
12. Relationship of The Parties: Nothing herein is intended or will be construed to establish any agency, partnership, or joint venture relationship between the parties.

OZ/UA

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13. Notices: Notices under the terms of this Agreement will be in writing and sent by prepaid certified mail, return receipt requested, or by telegram or telex, to the following addresses:

to United: United Air Lines, Inc. - WHQNCUA  
P.O. Box 66100  
Chicago, Illinois 60666  
Site: HDQNCUA  
Attn: Manager of Interline Revenue

to Asiana Airlines: Asiana Airlines  
Asiana Town  
Kangseo, P.O. Box 98  
#47, Osae-Dong, Kangseo-Ku,  
Seoul, Korea, 157-600  
Site: SELCMOZ  
Attn: Manager, Alliance Team

Notices will be effective on the first business day following receipt thereof. Notices sent by certified mail will be deemed received on the date of delivery as indicated on the return receipt; notices sent by telegram or telex will be deemed received on the date transmitted.

14. Amendments: This Agreement may be changed, modified, or amended from time to time only by express written agreement of the parties executed by their authorized representatives.
15. Entirety of Agreement: This Agreement supersedes all prior oral or written representations or communications between the parties and, together with its Attachment A-E, constitutes the entire understanding of the parties, regarding the subject matter of this Agreement.
16. Miscellaneous Administration Provisions: Each Party will independently establish its fares and rates for flights offered to the traveling Public under its airline designator code, in accordance with applicable law.

IN WITNESS WHEREOF, the parties have agreed to and executed this Agreement by their authorized representatives.

ASIANA AIRLINES

UNITED AIRLINES, INC.

By: Sang Beom Kim

By: Charles Vbono

Name: Sang Beom Kim

Name: Charles Vbono

Title: General Manager, Alliance Team

Title: Manager Interline Revenue

Date: December 13, 2002

Date: DECEMBER 5, 2002

OZ/UA

PASSENGER PRORATE AGREEMENT  
United Contract No: 138289  
Appendix A  
Page 1 of 2

### GENERAL CONDITIONS

The information on this page covers all attachments.

### FARE TYPES

FIRST CLASS  
BUSINESS CLASS  
NORMAL ECONOMY  
PROMOTIONAL/SPECIAL

Any fare type designation applicable to First Class Travel  
Any fare type designation applicable to Business Class Travel  
Any fare type designation applicable to unrestricted Economy Class fares  
All other fare types, with the exception of:  
VISIT USA (both point to point and flat rate)  
Round the World fares (RTW)  
Travel Industry/Reduced Rate Fares

MARKET/NETT/BULK/  
UNPUBLISHED FARES

Fares not available for general distribution; generally restricted to specific sales channels.

Identification of United paper is based on ticket designator/tour code following a published or unpublished fare basis code.

If there is an amount collected on the ticket, it may or may not equal the value of the published fare. The ticket may also reflect BULK or BT with no fare.

Identification of Asiana Airlines paper is based on ticket designator/tour code following a published or unpublished fare basis code.

If there is an amount collected on the ticket, it may or may not equal the value of the published fare. The ticket may also reflect BULK or BT with no fare.

### CODE SHARE FLIGHTS

UNITED: Flights operated by Air Wisconsin (ZW), Atlantic Coast (DH) and Sky West (OO) may be included in the agreement. All other flights marketed by United Airlines, operated by another air carrier, are not included in this agreement. The current flight ranges to be excluded are:  
Asiana: All other flights marketed by Asiana Airlines, operated by another air carrier are not included in this agreement. The current flight ranges to be excluded are:

	UA	OZ
Flight Nos.:	2000-5199	3001-3999
	8000 and above	6001-6999

Flight ranges are subject to change without notice. The intent of the agreement should be honored in the case of such changes.

NOTE: At the commencement of UA/OZ code share, flight ranges and attachments will require modification.

### THIRD PARTY PARTICIPATION

When any other carrier is allowed in a journey, their prorata share shall be determined by the MPA rules. Once the OA carrier share is determined, the residual value will form the ATBP to share between OZ and UA according to the terms of the attachments.

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OZ/UA

PASSENGER PRORATE AGREEMENT  
United Contract No. 158289  
Appendix A  
Page 2 of 2

#### POINT OF SALE

All worldwide points of sale permitted. Unless otherwise noted, there are no restrictions as to Point of Sale.

#### DEFINITIONS

MPA Multi-Lateral Prorate Agreement (Proration including Provisos)  
SPA Special Prorate Agreement  
ATBP Amount to be Prorated  
SRP Straight Rate Prorate (Proration excluding Provisos)

#### MPA

The conditions and definitions of the MPA will prevail when not affected by the terms of the attachments.  
(Note: Article B5 Minimum fares increases will be recognized as the ATBP for the SPA application)

#### DISCOUNTS

Children's/Seaman's Discount: Per fare rule.  
Discounts other than children's/seaman's discounts will not be applicable.

#### ERRORS

It is the intent of both parties to this Agreement to comply with all conditions of tariff and ticketing rules concerned. However it is recognized that ticketing and/or booking errors may occur. In such case UA and OZ agree to prorate such tickets in accordance with the relevant Attachment to this Agreement without dispute. Should the number of tickets with such errors, issued by one party and flown over the routes of the other party exceed reasonable proportions, the carrying airline will notify the issuing airline to provide for corrective action.

#### BOOKING CLASS/TICKETING

At the commencement of the OZ/UA codeshare, booking classes will require modification.

OZ/UA

PASSENGER BROKAGE AGREEMENT  
United Contract No. 158289  
Attachment A  
Page 1 of 1

APPLICATION

FIRST CLASS FARES  
BUSINESS CLASS FARES  
NORMAL ECONOMY CLASS FARES

TICKETING

UA (016) PAFBR

MARKET GEOGRAPHY

OZ markets within TC3

ROUTING

All international journeys, UA and OZ must participate in the routing.

BOOKING CLASS

First	P	Business	C	Economy Class	Y

PROBATION

A. Within Korea: The following fixed one-way USD fares will apply on OZ Economy Class sectors -

Amount	ORG-DST	SEL-KWJ	SEL-TAE	Amount	ORG-DST	SEL-KWJ	SEL-TAE
Amount	SEL-RSU	SEL-PUS	SEL-YEC	Amount	SEL-RSU	SEL-PUS	SEL-YEC
Amount	SEL-KPO	SEL-KAG	SEL-HUN	Amount	SEL-KPO	SEL-KAG	SEL-HUN
Amount	SEL-CRU	SEL-KWJ	SEL-TAE	Amount	SEL-CRU	SEL-KWJ	SEL-TAE

B. Within Korea: First Class and Business Class shall be provided  
C. Within Intra-Asia (TC3): Probation shall be

INTERLINE SERVICE CHARGE

ISO is applicable

REDACTED

OZ/UA

PASSENGER PRORATE AGREEMENT  
United Contract No. 158289  
Attachment B  
Page 1 of 1

**APPLICATION**

FIRST CLASS FARES  
BUSINESS CLASS FARES  
NORMAL ECONOMY CLASS FARES

**TICKETING**

OZ (988) PAPER

**MARKET GEOGRAPHY**

UA domestic sectors within the U.S.A. and between the U.S.A. and Canada

**ROUTING**

All international journeys, UA and OZ must participate in the routing.


**BOOKING CLASS**

First	F	Business	C	Economy Class	Y
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**PRORATION**

First Class, Business Class, and Economy Class UA sectors shall be prorated

**INTERLINE SERVICE CHARGE**

ISC  is applicable

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**REDACTED**



OZ/UA

PASSENGER PRORATE AGREEMENT  
United Contract No. 158289  
Attachment C  
Page 1 of 1

**APPLICATION**

SPECIAL/PROMOTIONAL ECONOMY CLASS FARES  
MARKET/NETT/BULK UNPUBLISHED FARES

**TICKETING**

UA (01G) PAPER

**MARKET GEOGRAPHY**

OZ markets within TC3

**ROUTING**

All international journeys, UA and OZ must participate in the routing.

**BOOKING CLASS**

OZ sectors within:

- A. Korea - Must be booked in "Y" class
- B. Intra-Asia (TC3) - Must be booked in "N" class

Note: At the commencement of OZ/UA codeshare, booking classes will require modification

**PRORATION**

A. Within Korea: The following fixed one-way USD prorates will apply on OZ Special Economy Class sectors -

(one-way USD)

ORG-DST	Amount	ORG-DST	Amount	ORG-DST	Amount
SEL-CHU		SEL-KWJ		SEL-TAB	
SEL-IIN		SEL-MPK		SEL-USN	
SEL-KAG		SEL-PLS		SEL-YEC	
SEL-KPO		SEL-RSU			

B. Within Intra-Asia (TC3): The following fixed one-way USD prorates will apply on OZ Special Economy Class sectors -

(one-way USD)

ORG-DST	Amount	ORG-DST	Amount	ORG-DST	Amount	ORG-DST	Amount
SEL-BJS		SEL-YNT		SEL-OSA		SEL-SDI	
SEL-CAN		SEL-BKK		SEL-NGO		SEL-TAK	
SEL-CGQ		SEL-DEL		SEL-FUK		SEL-TOY	
SEL-HGH		SEL-FKG		SEL-OKA		SEL-YGJ	
SEL-HRP		SEL-JKT		SEL-FKS			
SEL-KWL		SEL-MNL		SEL-HUJ			
SEL-NKG		SEL-SIN		SEL-KMI			
SEL-SHA		SEL-TYO		SEL-MYJ			

**INTERLINE SERVICE CHARGE**

ISC 9% is applicable

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REDACTED

OZ/UA

PASSENGER PRORATE AGREEMENT  
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Attachment D  
Page 1 of 1

APPLICATION

SPECIAL/PROMOTIONAL ECONOMY CLASS FARES  
MARKET/NETT/BULK UNPUBLISHED FARES

TICKETING

OZ (988) PAPER

MARKET GEOGRAPHY

UA domestic sectors within the U.S.A. and between the U.S.A. and Canada

ROUTING

All international journeys, UA and OZ must participate in the routing.

BOOKING CLASS

Bookings on UA sectors shall be in "V" class.

PRORATION

Within the U.S.A. and between the U.S.A. and Canada: UA sectors will be

Exception: The following one-way USD fixed prorate levels are applicable for non-stop sectors, direct flights, and through flights. The fixed rates will apply on through fares via a connection city only when no stopover is made at the connection city. (SRP sectors of through flight.)

(one-way USD)	Origin	Zone	Destinations							
	LAX/SFO	1	LAX	SFO	OAK	SAN	SMF	LAS	RNO	SJC
	LAX/SFO	2A	BOI	MFR	PDX	PHX	SEA	SLC	YVR	
	SEA	2B	BOI	LAS	MFR	OAK	PDX	PHX	RNO	SAN
			SJC	SLC	SMF	YVR				
	LAX/SFO/SEA	3A	DEN							
	LAX/SFO/SEA	3B	AUS	COS	DFW	HOU	MKC	OKC	OMA	SAT
	LAX/SFO/SEA	4A	CHI							
	LAX/SFO/SEA	4B	BNA	CLE	CMH	CVG	DAY	DTW	IND	MEM
			MSP	MSY	STL	YTO				
	LAX/SFO/SEA	5	ALB	ATL	BDL	BOS	BUF	BWI	CLT	MIA
			NYC	PHL	PIT	RDU	RIC	ROC	WAS	
	LAX/SFO/SEA	6	FLL	MCO	TPA					
	NYC	7	WAS							
	CHI	8	CLE	CMH	CVG	DAY	DTW	IND	MSP	OMA
			PIT	STL						
	CHI	9	ATL	BDL	BUF	BWI	CLT	ORF	PVD	SYR
	CHI	10	BOS	NYC	PHL	WAS				
	CHI	11	FLL	MCO	MIA	TPA				

INTERLINE SERVICE CHARGE

ISO is applicable

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REDACTED

OZ/UA

PASSENGER PRORATE AGREEMENT  
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Attachment E  
Page 1 of 1

**APPLICATION**

SPECIAL/PROMOTIONAL ECONOMY CLASS FARES  
MARKET/NETT/BULK UNPUBLISHED FARES

**TICKETING**

OZ (988) PAPER

**MARKET GEOGRAPHY**

UA markets between U.S. and Mexico/South America

**ROUTING**

All international journeys, UA and OZ must participate in the routing.

**BOOKING CLASS**

Bookings on UA shall be in "V" class


Note: At the commencement of OZ/UA codeshare, booking classes will require modification

**PRORATION**

Proration shall be according to the MPA.

**Exception:**

The fixed rates below shall apply on direct flights, or through flights via a connection city (SRP over sectors):

(per-segment USD)		Destinations		Amount
Origin				
LAX/SFO		RIO	SAO	
		BLR	MVD	
		MEX		

**INTERLINE SERVICE CHARGE**

ISC  is applicable

***Joint Applicants' Nonstop U.S.-Far East Operations***

**UA**

HNL-NRT  
JFK-NRT  
LAX-NRT  
ORD-HKG  
ORD-NRT  
ORD-PEK  
SEA-NRT  
SFO-HKG  
SFO-KIX  
SFO-NRT  
SFO-PVG  
SFO-TPE

**OZ**

JFK-ICN<sup>1</sup>  
LAX-ICN  
SEA-ICN  
SFO-ICN

*Source:* OAG, December 2002

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<sup>1</sup> Asiana operates JFK-ICN via a technical stop at Anchorage, but operates ICN-JFK nonstop.

***United/Asiana Code-Share Services  
(Effective April 2003)***

**United Operated/Asiana Marketed (UA/OZ\*)**

Seoul-Honolulu (via Tokyo)<sup>‡</sup>  
Seoul-San Francisco (via Tokyo)<sup>‡</sup>  
Seoul-Chicago (via Tokyo)<sup>‡</sup>  
Osaka-San Francisco<sup>‡</sup>  
Seattle-Denver  
Seattle-Chicago  
Seattle-San Francisco  
Seattle-Los Angeles  
Los Angeles-Denver  
Los Angeles-Las Vegas  
Los Angeles-San Diego  
Los Angeles-Portland (OR)  
Los Angeles-Dallas/Ft. Worth  
Los Angeles-Chicago  
Los Angeles-Washington/Baltimore  
Los Angeles-New York (JFK)  
Los Angeles-Boston  
Los Angeles-Miami  
Los Angeles-San Francisco  
San Francisco-Denver  
San Francisco-Las Vegas  
San Francisco-San Diego  
San Francisco-Portland (OR)  
San Francisco-Chicago

<sup>‡</sup> *These services will operate to/from points in Japan as blind sector under the OZ\* code.*

**Asiana Operated/United Marketed (OZ/UA\*)**

Seoul-Seattle  
Seoul-San Francisco  
Seoul-Los Angeles  
Seoul-New York/Newark  
Seoul-Pusan  
Seoul-Osaka<sup>‡‡</sup>

<sup>‡‡</sup> *Only connecting traffic to/from the U.S. will be carried under the UA\* code.*

### *Asiana's Code-Share Agreements<sup>1</sup>*

Region	Nation	Code Share Partner	Routes	Operating Carrier
Asia	Japan	NH	ICN/KIX-HND	NH (Japan Domestic Routes)
			ICN/FUK-HND	OZ (ICN-KIX, FUK)
			ICN/NRT, KIX, NGO, FUK	OZ
	China	NQ	ICN/NRT	NQ
		MU	SEL/YNT	OZ, MU
			SEL/SHA	OZ, MU
			TAE/SHA	OZ, MU
		CA	PUS/PEK	OZ, CA
		CZ	SEL/KWL	OZ, CZ
			SEL/CAN	OZ, CZ
	Singapore	SQ	SEL/SIN	SQ
	India	AI	SEL/DEL	OZ
	Uzbekistan	HY	SEL/TAS	HY
Australia	Australia	QF	SEL/SYD	OZ
Europe	Turkey	TK	SEL/IST	TK

<sup>1</sup> This chart lists the carriers with which Asiana has authority to code share. Some of the code-share services listed may not yet be implemented, may be pending additional government approval, or may have been temporarily suspended.

Region	Nation	Code Share Partner	Routes	Operating Carrier
America	U.S.A.	AA <sup>2</sup>	SEL/LAX, SFO, SEA, NYC	OZ
			LAX-CHI, DFW, IAD, EWR [*] LAX-MIA, LAS, SAN SFO-CHI, DFW NYC-DCA	AA
			SEL/LAX, SFO, SEA, NYC, ORD (mail only)	OZ
		GR	SEL/LAX, NYC, ORD (all-cargo)	GR

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<sup>2</sup> American Airlines notified the Department on July 1, 2002, that the code share agreement with Asiana will terminate effective January 1, 2003.

### *United's Code-Share Arrangements<sup>1</sup>*

<b>Partner</b>	<b>Route (non directional)</b>		<b>Operating Carrier</b>
Air Canada	U.S. -	Canada; intra-U.S	UA
	Mexico City -	Chicago Los Angeles San Francisco Washington	UA
	Los Angeles -	Auckland Sydney	UA
	Miami -	Santiago <sup>2</sup>	UA
	U.S. -	Canada; intra-Canada	AC
	U.S. -	Australia	AC
	Vancouver -	Taipei	AC
Air Dolomiti	Intra-Europe		EN
Air Japan Co.	U.S. -	Japan; intra-Japan	NQ
Air New Zealand	Sydney -	Los Angeles San Francisco	UA
	Auckland -	Melbourne	UA
	Los Angeles -	Vancouver	UA
	U.S. -	New Zealand (nonstop or via an intermediate point or points in third countries); intra-U.S.; points beyond New Zealand or U.S.	UA
	U.S. -	New Zealand (nonstop or via an intermediate point or points in third countries); intra-New Zealand; points beyond New Zealand or U.S.	NZ

<sup>1</sup> This exhibit identifies the foreign carriers with which United has been authorized by the Department to code share. In the case of blanket statements of authorization granted pursuant to liberal bilateral aviation agreements, individual city pairs are not detailed. Some of the code-share services listed may not yet have been implemented, may be pending foreign government approval, or may have been suspended.

<sup>2</sup> United notified the Department on November 19, 2002, that this service will terminate effective January 7, 2003.



Partner	Route (non directional)		Operating Carrier
	South Pacific -	Los Angeles Auckland Honolulu	NZ
	New Zealand -	Australia	NZ
ANA	U.S. -	Japan (nonstop or via an intermediate point or points in third countries); intra-U.S.; points beyond Japan or U.S.	UA
	U.S. -	Japan (nonstop or via an intermediate point or points in third countries); intra-Japan; points beyond Japan or U.S.	NH
Asiana	U.S. -	Korea (nonstop or via an intermediate point or points in third countries); intra-U.S.; points beyond Korea or U.S.	UA
	U.S. -	Korea (nonstop or via an intermediate point or points in third countries); intra-Korea; points beyond Korea or U.S.	OZ
Austrian	U.S. -	Austria (nonstop or via an intermediate point or points in third countries); intra-U.S.; points beyond Austria or U.S.	UA
	U.S. -	Austria (nonstop or via an intermediate point or points in third countries); intra-Austria; points beyond Austria or U.S.	OS

Partner	Route (non directional)		Operating Carrier
bmi british midland	Chicago (ORD) -	Atlanta Austin Baltimore Boston Cincinnati Dallas/Fort Worth Denver Detroit Hartford Houston Indianapolis Kansas City Las Vegas Los Angeles Mexico City Miami Minneapolis/St. Paul New Orleans New York Orange County Orlando Philadelphia Phoenix Portland St. Thomas Salt Lake City San Diego San Francisco San Jose San Juan Seattle Tampa Tucson	UA

Partner	Route (non directional)		Operating Carrier
	Washington (IAD) -	Atlanta Austin Boston Chicago Cincinnati Dallas/Fort Worth Denver Detroit Hartford Houston Indianapolis Kansas City Las Vegas Los Angeles Mexico City Miami Minneapolis/St. Paul New Orleans New York Orange County Orlando Philadelphia Phoenix Portland St. Thomas Salt Lake City San Diego San Francisco San Jose San Juan Seattle Tampa Tucson	UA
	Manchester -	Aberdeen Chicago Dusseldorf Edinburgh Frankfurt Glasgow Washington	BD

Partner	Route (non directional)		Operating Carrier
	London (LHR) -	Amsterdam Barcelona Belfast Berlin Brussels Budapest Cologne/Bonn Copenhagen Dresden Dublin Edinburgh Faro Frankfurt Geneva Glasgow Hanover Helsinki Leeds/Bradford Lisbon Madrid Malaga Manchester Milan Nice Paris Prague Rome Stockholm Stuttgart Teeside Warsaw	BD
	East Midlands -	Amsterdam Frankfurt Paris	BD
	Brussels -	Birmingham East Midlands	BD
BWIA	Miami -	Chicago	UA

Partner	Route (non directional)		Operating Carrier
	New York -	Hartford Los Angeles San Francisco Seattle	UA
	Washington (IAD) -	Boston Chicago Denver Hartford Los Angeles New York San Francisco Seattle	UA
	Washington (IAD) -	Antigua Barbados Port of Spain	BW
	New York -	Antigua Barbados Port of Spain	BW
	Miami -	Barbados Port of Spain Tobago	BW
Cayman Airways	Cayman Islands -	Miami Houston Tampa Atlanta Orlando	KX
Emirates	London -	Dubai	EK
Lauda	U.S. -	Austria (nonstop or via an intermediate point or points in third countries); intra-U.S.; points beyond Austria or U.S.	UA
	U.S. -	Austria (nonstop or via an intermediate point or points in third countries); intra-Austria; points beyond Austria or U.S.	NG

Partner	Route (non directional)		Operating Carrier
Lufthansa	Mexico City -	Chicago Washington	UA
	U.S. -	Germany (nonstop or via an intermediate point or points in third countries); intra-U.S.; points beyond Germany or U.S.	UA
	U.S. -	Germany (nonstop or via an intermediate point or points in third countries); intra-Germany; points beyond Germany or U.S.	LH
Mexicana	Intra-U.S.		UA
	U.S. -	Canada	UA
	Mexico City -	Chicago Denver Los Angeles San Francisco Washington	UA
	Mexico City -	San Jose, Costa Rica	UA
	Chicago -	Frankfurt London Paris	UA
	Los Angeles -	Tokyo	UA
	San Francisco -	Osaka Seoul Sydney Tokyo	UA
	Miami -	Buenos Aires Santiago <sup>3</sup>	UA
	Intra-Mexico		MX
	Denver -	Mexico City Puerto Vallarta San Jose del Cabo	MX

<sup>3</sup> United notified the Department on November 19, 2002, that this service will terminate effective January 7, 2003.

Partner	Route (non directional)		Operating Carrier
	Chicago -	Guadalajara Mexico City Monterrey Morelia Puerto Vallarta	MX
	Los Angeles -	Cancun Guadalajara Leon Mexico City Morelia San Jose del Cabo Puerto Vallarta Zacatecas	MX
	Miami -	Cancun Mexico City	MX
	New York (EWR) -	Mexico City	MX
	Oakland -	Guadalajara	MX
	San Antonio -	Mexico City	MX
	San Francisco -	Guadalajara Mexico City Morelia	MX
	San Jose, CA -	Guadalajara	MX
	Mexico City -	Guatemala City Panama City San Jose, Costa Rica San Salvadore	MX
SAS	U.S. -	Denmark, Norway and Sweden ("Scandinavia") (nonstop or via an intermediate point or points in third countries); intra-U.S.; points beyond Scandinavia or U.S.	UA
	U.S. -	Scandinavia (nonstop or via an intermediate point or points in third countries); intra-Scandinavia; points beyond Scandinavia or U.S.	SK

Partner	Route (non directional)		Operating Carrier
Singapore Airlines	U.S. -	Singapore (nonstop or via an intermediate point or points in third countries); intra-U.S.; points beyond Singapore or U.S.	UA
	U.S. -	Singapore (nonstop or via an intermediate point or points in third countries); intra-Singapore; points beyond Singapore or U.S.	SQ
Spanair	Washington (IAD) -	Madrid - Barcelona/ Malaga/Palma De Mallorca	JK
	Madrid -	Lisbon	JK
	Washington (IAD) -	Los Angeles San Francisco Boston Miami Orlando New York San Diego Seattle Atlanta Chicago Philadelphia New Orleans Houston Dallas/Fort Worth Denver	UA
Thai Airways	Hong Kong -	Bangkok	TG
	Taipei -	Bangkok	TG
	Tokyo -	Phuket	TG
	London -	Bangkok	TG
	Ho Chi Minh City -	Bangkok	TG



Partner	Route (non directional)		Operating Carrier
	Los Angeles -	Chicago Denver Las Vegas New York (EWR) San Francisco Seattle Washington	UA
	Taipei -	San Francisco	UA
	Paris -	Washington	UA
	Tokyo -	San Francisco Chicago	UA
	London -	Chicago New York (JFK)	UA
Transportes Aeromar	San Antonio -	San Luis Potosi	VW
	Mexico City -	Colima Ciudad Victoria Uruapan Morelia Poza Rica Queretaro San Luis Potosi	VW
Tyrolean	U.S. -	Austria (nonstop or via an intermediate point or points in third countries); intra-Austria; points beyond Austria or U.S.	VO

Partner	Route (non directional)		Operating Carrier
Varig	Atlanta, Boston, Chicago, Detroit, Houston, Los Angeles, Miami, New York, Orlando, San Francisco, San Juan, Washington/ Baltimore -	Atlanta Boston Chicago Cincinnati Cleveland Denver Detroit Honolulu Houston Las Vegas Los Angeles Miami New York Orlando Phoenix Pittsburgh Portland St. Louis Salt Lake City San Diego San Francisco San Juan Seattle Tampa Tucson Washington/Baltimore	UA
	Los Angeles -	San Jose	UA
	Atlanta, Boston, Chicago, Detroit, Houston, Los Angeles, Miami, New York, Orlando, San Francisco, San Juan, Washington/ Baltimore -	Belem, Belo Horizonte, Brasilia, Manaus, Porto Alegre, Recife, Rio de Janeiro, Salvador, Sao Paulo	UA/RG

Partner	Route (non directional)		Operating Carrier
	Belem, Belo Horizonte, Brasilia, Manaus, Porto Alegre, Recife, Rio de Janiero, Salvador, Sao Paulo -	Belem Belo Horizonte Brasilia Campo Grande Curitiba Florianopolis Fortaleza Iguacu Joao Pessoa Maceio Manaus Natal Porto Alegre Recife Rio de Janeiro Salvador Sao Luiz Sao Paulo	RG
Virgin Blue	U.S. Carrier Australia Gateways -	Beyond Gateway Australia code share points	DJ

***Asiana's Top 50 Origin And Destination Markets  
To And From The United States***

<u>RANK</u>	<u>CITY-PAIR</u>	<u>BOOKINGS</u>
1	Seoul, Korea - Los Angeles	166,361
2	Seoul, Korea - Guam	135,070
3	Seoul, Korea - Saipan, Northern Mariana Islands	100,476
4	Seoul, Korea - New York (JFK)	58,764
5	Seoul, Korea - Seattle	45,074
6	Seoul, Korea - San Francisco	42,511
7	Busan, Korea - Guam	18,809
8	Guangzhou, China - New York (JFK)	17,248
9	Manila, Philippines - New York (JFK)	14,701
10	Ho Chi Minh City, Vietnam - Los Angeles	14,611
11	Manila, Philippines - San Francisco	13,912
12	Hong Kong - New York (JFK)	9,665
13	Hong Kong - Los Angeles	9,042
14	Ho Chi Minh City, Vietnam - Seattle	6,808
15	Manila, Philippines - Los Angeles	6,126
16	Delhi, India - Los Angeles	6,061
17	Delhi, India - San Francisco	6,005
18	Hong Kong - San Francisco	5,854
19	Manila, Philippines - Saipan, Northern Mariana Islands	5,160
20	Shanghai, China - New York	4,742
21	Shanghai, China - Saipan, Northern Mariana Islands	4,737
22	Guangzhou, China - San Francisco	4,186
23	Delhi, India - Seattle	3,684
24	Hong Kong - Saipan, Northern Mariana Islands	3,109
25	Shanghai, China - Los Angeles	3,006
26	Manila, Philippines - Guam	2,657
27	Changchun, China - Saipan, Northern Mariana Islands	2,539
28	Beijing, China - Los Angeles	2,413
29	Bangkok, Thailand - Seattle	2,028
30	Daegu, Korea - Guam	2,010
31	Shanghai, China - San Francisco	1,860
32	Hong Kong - Seattle	1,860
33	Bangkok, Thailand - Los Angeles	1,720
34	Busan, Korea - Los Angeles	1,709
35	Beijing, China - New York (JFK)	1,705
36	Ho Chi Minh City, Vietnam - San Francisco	1,652
37	Guangzhou, China - Los Angeles	1,617
38	Beijing, China - San Francisco	1,313
39	Okinawa, Japan - Los Angeles	1,298
40	Busan, Korea - Seattle	1,131
41	Daegu, Korea - Los Angeles	1,071
42	Daegu, Korea - Saipan, Northern Mariana Islands	1,063
43	Fukuoka, Japan - Los Angeles	971
44	Gwangju, Korea - Guam	887
45	Busan, Korea - Saipan, Northern Mariana Islands	837
46	Yanji, China - Saipan, Northern Mariana Islands	808
47	Busan, Korea - New York (JFK)	793
48	Busan, Korea - San Francisco	792
49	Bangkok - Saipan, Northern Mariana Islands	732
50	Chengdu, China - Los Angeles	694

Source: Asiana ticket coupon data for the period September 2001-August 2002

## ***U.S. - South Korea Nonstop Departures and Seats***

### **Shares of Nonstop Departures and Seats**

<u><b>Airline</b></u>	<u><b>Daily Departures</b></u>	<u><b>Daily Seats</b></u>
Korean Air	68.4%	70.7%
Asiana Airlines	23.1%	21.2%
Singapore Airlines	8.5%	8.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### **Korean Air's Daily Departures and Number of Seats From the U.S.**

<u><b>Origin</b></u>	<u><b>Destination</b></u>	<u><b>Daily Departures</b></u>	<u><b>Daily Seats</b></u>
Anchorage	Seoul	0.7	274
Atlanta	Seoul	0.4	129
Dallas/Fort Worth	Seoul	0.4	129
Honolulu	Seoul	0.7	239
Washington (Dulles)	Seoul	0.4	165
New York (JFK)	Seoul	1.0	384
Los Angeles	Seoul	2.4	897
Chicago	Seoul	1.0	301
San Francisco	Seoul	1.0	301
<b>Total</b>		<b>8.0</b>	<b>2819</b>

### **Asiana Airline's Daily Departures and Number of Seats From the U.S.**

<u><b>Origin</b></u>	<u><b>Destination</b></u>	<u><b>Daily Departures</b></u>	<u><b>Daily Seats</b></u>
Los Angeles	Seoul	1.7	518.6
Seattle	Seoul	0.4	140.6
San Francisco	Seoul	0.6	187.4
<b>Total</b>		<b>2.7</b>	<b>846.6</b>

### **Singapore Airline's Daily Departure and Number of Seats From the U.S.**

<u><b>Origin</b></u>	<u><b>Destination</b></u>	<u><b>Daily Departure</b></u>	<u><b>Daily Seats</b></u>
San Francisco	Seoul	1.0	323

Total Number of U.S. - South Korea Daily Departures: 11.70

Total Number of U.S. - South Korea Daily Seats: 3988

Source: OAG, December 2002  
Excludes U.S. Pacific Territories

# ***U.S. - Far East Seat Shares<sup>1</sup>***

<b><u>Airline</u></b>	<b><u>Daily Seats</u></b>	<b><u>Seat Share</u></b>
Northwest Airlines	5301	16.6%
United Airlines	4513	14.2%
Japan Airlines	4478	14.1%
Korean Air	3203	10.1%
All Nippon Airways	2059	6.5%
China Airlines	1777	5.6%
Singapore Airlines	1700	5.3%
Eva Airways	1485	4.7%
JALways	1287	4.0%
Cathay Pacific Airways	1160	3.6%
American Airlines	1001	3.1%
Asiana Airlines	847	2.7%
Continental Airlines	768	2.4%
Thai Airways	399	1.3%
Malaysia Airlines	386	1.2%
China Eastern Airlines	340	1.1%
Varig	286	0.9%
Delta Air Lines	269	0.8%
China Southern Airlines	209	0.7%
Air China	150	0.5%

*Source: OAG, December 2002*  
*Excludes U.S. Pacific Territories*

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<sup>1</sup> Excludes carriers with less than 0.5% share.

## ***U.S. - South Korea Nondirectional Bookings***

<b><u>MARKETING AIRLINE</u></b>	<b><u>BOOKINGS</u></b>	<b><u>SHARE</u></b>
Korean Air	572,128	41.6%
Asiana Airlines	350,103	25.5%
United Airlines	234,628	17.1%
Northwest Airlines	100,211	7.3%
Singapore Airlines	50,335	3.7%
Delta Air Lines	25,444	1.9%
Air Canada	12,461	0.9%
American Airlines	12,416	0.9%
Continental Airlines	7,652	0.6%
Japan Airlines	5,562	0.4%
All Nippon Airways	1,388	0.1%
Cathay Pacific Airways	1,149	0.1%

Source: CRS, Twelve Months Ended October 31, 2002; booking data based on marketing carrier on over-water leg.

Excludes U.S. Pacific Territories

***U.S. - South Korea Nondirectional Bookings for the  
Three Months Ended November 30, 2002***

<b><u>Marketing Airline</u></b>	<b><u>September 2002 Bookings</u></b>	<b><u>October 2002 Bookings</u></b>	<b><u>November 2002 Bookings</u></b>	<b><u>Three Month Total</u></b>	<b><u>Total Share</u></b>
Korean Air	38,161	38,513	32,563	109,237	39.8%
Asiana Airlines	26,213	26,231	22,425	74,869	27.3%
United Airlines	13,793	13,820	13,181	40,794	14.9%
Northwest Airlines	6,965	7,430	7,266	21,661	7.9%
Delta Air Lines	3,796	3,842	3,785	11,423	4.2%
Singapore Airlines	3,217	3,199	2,707	9,123	3.3%
American Airlines	611	660	760	2,031	0.7%
Continental Airlines	528	757	654	1,939	0.7%
Air Canada	415	473	303	1,191	0.4%
Japan Airlines	449	397	252	1,098	0.4%
Cathay Pacific	111	130	97	338	0.1%
All Nippon Airways	40	56	108	204	0.1%

Source: CRS, Three Months Ended November 30, 2002; booking data based on marketing carrier on over-water leg.

Excludes U.S. Pacific Territories



## ***U.S. - Far East Nondirectional Bookings<sup>1</sup>***

<b><u>MARKETING AIRLINE</u></b>	<b><u>BOOKINGS</u></b>	<b><u>SHARE</u></b>
United Airlines	2,951,654	16.8%
Northwest Airlines	2,348,902	13.3%
China Airlines	1,099,534	6.2%
Korean Air	1,093,779	6.2%
Japan Airlines	1,012,245	5.7%
Singapore Airlines	1,003,057	5.7%
Eva Airways	915,121	5.2%
Cathay Pacific Airways	865,173	4.9%
Asiana Airlines	660,627	3.8%
Philippine Airlines	580,560	3.3%
Air India	526,676	3.0%
American Airlines	520,550	3.0%
All Nippon Airways	428,871	2.4%
China Eastern Airlines	370,426	2.1%
Lufthansa German Airlines	369,275	2.1%
Continental Airlines	329,311	1.9%
Air China	271,533	1.5%
Delta Air Lines	268,552	1.5%
Air Canada	256,654	1.5%
Thai Airways International	256,448	1.5%
Malaysia Airlines	253,745	1.4%
Air France	145,845	0.8%
Kuwait Airways	141,117	0.8%
China Southern Airlines	138,082	0.8%
British Airways	136,554	0.8%
KLM	112,361	0.6%
Pakistan International Airlines	101,373	0.6%

Source: CRS, Twelve Months Ended October 31, 2002; booking data based on marketing carrier on over-water leg.

Excludes U.S. Pacific Territories

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<sup>1</sup> Excludes carriers with less than 0.5% share.

***Carriers Operating Scheduled International Passenger Service  
at United's Domestic Marketing Hubs***

<b><u>Chicago (ORD)</u></b>	<b><u>Denver (DEN)</u></b>	<b><u>Los Angeles (LAX)</u></b>	<b><u>San Francisco (SFO)</u></b>	<b><u>Washington (IAD)</u></b>
Aer Lingus	Air Canada	Aer Lingus	Air Canada	Air Canada
Aeromexico	British Airways	Aero California	Air China	Air France
Air Canada	Frontier Air	Aeroflot	Air France	All Nippon Airways
Air France	Lufthansa	Aeromexico	Alaska Airlines	Austrian Airlines
Air Jamaica	MEXICANA	Air Canada	All Nippon Airways	British Airways
Air India	United Airlines	Air China	Asiana Airlines	BWIA International
Alitalia		Air France	British Airways	Crossair
American Airlines		Air Jamaica	Cathay Pacific	Korean Air
British Airways		Air New Zealand	China Airlines	Lufthansa
British Midland		Air Pacific	EVA Airways	Northwest Airlines
Crossair		Air Tahiti Nui	Japan Air Lines	SAS
Iberia		Alaska Airlines	KLM	TACA
Japan Air Lines		All Nippon Airways	Korean Air	United Airlines
KLM		American Airlines	Lufthansa	Virgin Atlantic
Korean Air		Asiana Airlines	MEXICANA	
Kuwait Airways		ATA	Northwest Airlines	
LACSA		AVIACSA	Singapore Airlines	
Lineas Aereas Allegro		British Airways	TACA	
LOT		Cathay Pacific	United Airlines	
Lufthansa		China Airlines	Virgin Atlantic	
MEXICANA		China Eastern		
Royal Jordanian		China Southern		
SAS		COPA		
Singapore Airlines		Crossair		
Turkish Airlines		Delta Air Lines		
United Airlines		El Al		
		EVA Airways		
		Japan Air Lines		
		KLM		
		Korean Air		
		LACSA		
		LAN-Chile		
		Linea Aerea del Sur		
		Lufthansa		
		Malaysian Airline		
		MEXICANA		
		Northwest Airlines		
		Qantas Airways		
		Singapore Airlines		
		TACA		
		Thai Airways		
		United Airlines		
		VARIG		
		Virgin Atlantic		

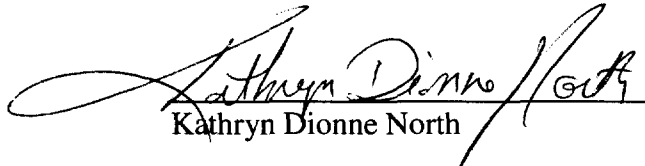
**Complete copies of the Joint Applicants' timetables were included in the original application filed with the Department and are available from counsel for Joint Applicants upon request.**

***United/Asiana Document Production***

1. All studies, surveys, analyses, and reports, dated within the last two years, that were prepared by or for any officer(s) or director(s) (or individuals exercising similar functions) for the purposes of evaluating or analyzing the proposed United/Asiana immunized alliance with respect to market shares, competition, competitors, markets, and/or potential for traffic growth, or expansion into geographic markets.
2. All corporate documents dated within the last two years that address competition in the U.S.-to-Asia transpacific markets, including U.S.-to-Korea markets.
3. All documents dated within the last two years that discuss the extent to which airport facilities, including gates and slots, are available to carriers that want to begin or increase transpacific service to cities in Korea.

**CERTIFICATE OF SERVICE**

I hereby certify that on this day I served a copy of the foregoing Joint Application Of United Air Lines, Inc. And Asiana Airlines, Inc. upon all persons listed on the attached Service List by causing a copy to be sent via U.S. first-class mail, postage prepaid.

  
Kathryn Dionne North

**DATED:     January 3, 2003**

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app.doc